Austria	Sch24	Indonesia	Rp3100	Philippines	Peso40
Bahrain	Din0.700	Iran	Rls210	Portugal	Esc150
Belgium	BFr55	Israel	Shk3.50	Qatar	QR9.50
Cyprus	C£0.90	Italy	L2000	S.Arabia	SR7.00
Denmrk	DKr12.00	Jordan	Fils1000	Singapore	S$4.10
Egypt	E£3.25	Kuwait	Fils.500	Spain	Pta165
Finland	FM6.50	Lebanon	L£400.00	Sweden	SKr12
France	FFr7.50	Lux	LFr55	Switz	SFr2.60
Germany	DM2.60	Malaysia	M$4.25	Thailand	Bht50
Greece	Dr150	Morocco	Dh8.00	Tunisia	Din0.800
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L1400
Hungary	Ft107	Nigeria	Naira10	UAE	Dh7.00
Iceland	IKr160	Norway	NKr12.00		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

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Monday April 23 1990

D 8523A

MONGOLIA

Barter trade buys stereos for nomads

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World News

Lithuanians say freedom depends on West's help

Lithuanian ministers, confronted with a collapse of production because of the Soviet energy blockade, predict that their bid for independence will end if the West does not provide immediate help with supplies.

Deputy Economics Minister Antanas Mercaitas said: "If we don't get such alternative supplies, then our struggle is over." Page 24

Condor rocket halts

Argentina has suspended work on its programme to build the controversial medium-range Condor II rocket, Defence Minister Humberto Romero said. The project, which had been developed jointly with Egypt and Iraq, had been postponed "because we do not have the funds nor the budget to finance an initiative of this nature."

China crushes revolt

China said 22 people were killed and at least 13 injured in an armed counter-revolutionary rebellion in its far western region of Xinjiang this month. A television report said a revolt by a "small number of ruffians" was put down in the town of Baren.

Israel admits role

The Israeli government admitted that it provided financial backing for the controversial takeover by Jewish settlers of a large building in the Christian Quarter of Jerusalem's Old City. Page 2

Mandela's appeal

Nelson Mandela, deputy leader of the ANC, said he would appeal to British Prime Minister Margaret Thatcher for tougher sanctions against apartheid when he meets her in London, probably in July.

Towns cut off

Many people have been reported missing as Australia's worst floods in a century cut off outback towns and forced hundreds to take refuge on the roofs of submerged homes. In Brazil, 11 died in flooding in Rio de Janeiro state.

Driver accused

Paul Ashwell, 26, a British truck driver, was remanded in custody in Patras, Greece, pending trial for transporting 29.5 tons of Iraqi-bound tubing which authorities said was designed to form part of the barrel of a massive gun.

Croatians vote

Croatia, the second biggest republic in Yugoslavia and one of the most economically advanced, voted in its first free elections since before the Second World War. Page 4

Boost for Walesa

The Solidarity trade union furthered Lech Walesa's campaign to become Poland's president by overwhelmingly re-electing him as its leader. Page 4

Moscow free market

Gavriil Popov, Moscow's new mayor, was quoted as saying the city should open soup kitchens for the poor to smoothe the way for introducing free market elements into the capital's economy. Price rises put off, Page 4

Mitterrand slips

President François Mitterrand's popularity has dropped to its lowest point in France for four years. Page 4

Links restored

Egypt's first ambassador to Syria in more than a decade presented his credentials to President Hafez al-Assad in Damascus.

End of a dictator

Romanian dictator Nicolae Ceausescu went to his death in tears with his hands bound behind his back and his wife Elena screaming in panic at his side, a video broadcast on French television showed.

Currency havoc

A new law forcing East Europeans to change the equivalent of at least $200 into Yugoslav dinars when they enter Yugoslavia caused havoc at border points.

Pope for Cuba

Pope John Paul will visit Cuba in December, a Vatican spokesman said during the papal tour of Czechoslovakia.

Hard act to follow

The La Scala opera house in Milan finally broke away from a legacy of fear left by the late Maria Callas when it staged its first production in 26 years of *La Traviata*. Callas's performance had overshadowed all her successors.

Business Summary

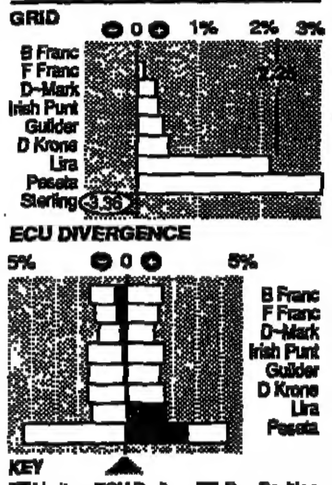
Glaxo and Astra clash over ulcer drug safety

Glaxo, Britain's largest pharmaceuticals company, has been plunged into a battle of unprecedented ferocity over the safety of Zantac, the world's leading ulcer drug.

Glaxo also came under attack for its research into Losec, a competing drug made by Astra, the Swedish medicines group. Page 24

EUROPEAN Monetary System: The Bank of Spain intervened to stem the peseta's rise at the top of the EMS. The central bank sold pesetas against the French franc, but the Spanish currency remained well within its agreed 6 per cent divergence limit. The D-Mark has moved towards the bottom of the system, depressed by uncertainty about the implications of possible German monetary union. This helped keep pressure off the EMS last week. Currencies, Page 37

EMS April 20, 1990



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu).

CANADIAN interest rates have jumped to their highest level in almost eight years. Banks lifted their prime lending rate by half a point to 14.75 per cent. The bank rate now stands at 13.77 per cent, compared with just above 12 per cent earlier this year. Page 2

NOBEL INDUSTRIES, Swedish armaments and chemicals group, plans a radical reorganisation of its Nobel Plast division which last year accounted for almost 5 per cent of group turnover. Page 27

SOVIET UNION is to spend Rbs16bn ($26bn at the official rate) over the next two-and-a-half years on the after-effects of the Chernobyl nuclear disaster. Page 4

FLS INDUSTRIES, Danish cement plant manufacturer, engineering and building materials group, plans an increase in dividend from 10 per cent to 12 per cent after increasing pretax profits. Page 27

NORANDA FOREST, Canada's largest pulp and paper group, reports a dramatic decline in first quarter earnings. Net profit tumbled by 90 per cent. Page 27

AVON PRODUCTS, the world's largest maker of cosmetics and toiletries, suffered a setback in its plans to sell its stake in Avon-Japan for $450m when potential buyers said they did not intend to close the sale by April 27. Page 27

ESAB, the world's leading welding equipment manufacturer, recorded a 23 per cent increase in profits for the first three months of the year. Page 27

TRADE MINISTERS from 30 leading nations meeting in Mexico have set a deadline of July for an outline package of agreements to complete the Uruguay Round of multilateral trade negotiations. Page 2

TELEFONICA, Spanish telecommunications group has been ordered by the Chilean Monopolies Commission to sell its 20 per cent share in Entel, Chile's main international telephone company. Page 27

BANGLADESH is pledged $1.8bn of soft loans and grants by Western aid donors, far less than the $2.5bn it had been seeking. Page 4

IMPERIAL OIL, which is 70 per cent owned by Exxon, is selling its 22.8 per cent interest in Interhome Energy for C$492m to Gulf Canada Resources. Page 27

Nigerian military government survives coup attempt

NIGERIA'S military government appeared in control last night following an attempted coup by middle-ranking officers, write William Keeling in Lagos and Michael Holman in London.

President Ibrahim Babangida, speaking on national television, said that rebel leaders had been arrested. Unrest had been confined to Lagos, he added.

Little is known about the plotters, but a rebel radio broadcast early Sunday morning reflected tensions between the country's Moslem-dominated north and the mainly-Christian south.

A further factor is likely to have been the economic hardship experienced by most of the 110m population under the country's economic reform programme. Nigerian officials, currently engaged in negotiations to reschedule their country's $32bn external debt, may well use the coup attempt to underline their case for sympathetic treatment by creditors.

Shooting broke out in the early hours of Sunday morning around Dodan Barracks, the government's administrative centre in Lagos where President Babangida has his office.

In a broadcast on Lagos state radio, a man identifying himself as Major Gideon Ngwozor Oka and speaking "on behalf of the patriotic and well-meaning peoples of the Middle Belt and southern parts of this country," said:

"I...wish to happily inform you of the successful ousting of the dictatorial, corrupt, drug-baronish, inhumane, sadistic, deceitful, homosexually-centred and unpatriotic administration of General Ibrahim Babangida."

General Babangida took office in August 1985 in a bloodless coup. Since 1986, his government has been implementing an economic reform programme, endorsed by the International Monetary Fund (IMF) and backed by the World Bank. President Babangida has promised a phased return to civilian rule under a two-party system, culminating in presidential elections in 1992.

The impact of austerity measures, exacerbated by falling earnings from oil – the main export – combined with corruption within senior government, has sharply eroded the administration's popularity.

Rivalry between the north and south has grown, and a cabinet reshuffle last January was seen by some Christians as favouring the Moslem north.

In the radio announcement, the northern states of Borno, Bauchi, Kano, Katsina and Sokoto were accused of "messing up" the rest of the country through what was termed their domination of the Babangida Government. The rebels' spokesman raised the spectre of the break-up of the Nigerian federation, saying the five states would not be allowed to be part of the country until they had proved their loyalty to the new Government.

Had the coup proved successful, it would have been the seventh since Nigeria won independence from Britain in 1960.

Nigeria, Page 3

Pro-Iranian group releases American hostage in Beirut

By **Tony Walker** in Damascus and **Lara Marlowe** in Beirut

PRO-IRANIAN extremists released an American hostage in Beirut yesterday following a weekend of intense diplomatic activity centred around Damascus.

The Islamic Jihad for the Liberation of Palestine (IJLP) freed Mr Robert Polhill outside the Summerland Hotel on the Beirut waterfront just after 5pm in a gesture that appeared designed to help facilitate a thaw in US-Iran relations.

Mr Polhill is the first American hostage to be freed in Lebanon since Mr David Jacobsen was released nearly three and half years ago, in November, 1986.

Mr Polhill had been in captivity for 1,183 days. The accountancy professor from New York, NY was immediately whisked away by Syrian security in a convoy of vehicles across the mountainous route to Damascus.

US officials in the Syrian capital said Mr Polhill was resting at a government house before being handed over by Mr Farouq al-Shara Syrian Foreign Minister to US Ambassador Edward Djerejian at the Foreign Ministry. Mr Polhill's wife Feryal is in Damascus.

Libyan leader Muammer Gadaffi yesterday appealed for the release of all hostages held by Moslems, Palestinians detained by Israel and Middle Eastern political prisoners in the West. He singled out for a special appeal hostages "carrying out humanitarian services like members of the Red Cross."

Polhill: held for 1,183 days

There are strong hopes that Mr Polhill's release would lead to the freeing of the remaining 17 Westerners missing and believed held by Moslem militants in Lebanon. These include seven Americans, four Britons, two West Germans, two Swiss, an Italian and an Irishman.

The Britons include journalist Mr John McCarthy, Mr Terry Waite, the Archbishop of Canterbury's special envoy and retired airline pilot Mr Jack Mann.

The longest-held captive is journalist Mr Terry Anderson, 42, of the Associated Press, who was kidnapped on March 16, 1985, by a group that identified itself as the Islamic Jihad, or Islamic Holy War. Mr Polhill, 55, was kidnapped with fellow professors Mr Alann Steen, 51, and Mr Jesse Turner, 42, from the campus of Beirut University College (BUC) by the IJLP on January 24, 1987.

Eye-witnesses to yesterday's release reported that a car screeched to a halt outside the Summerland and a hostage climbed out. "The rear door of a waiting car on the other side of the street was then opened and the hostage walked straight in," the witness said.

Brig-Gen Ghazi Kenaan, head of Syrian Military Intelligence in Lebanon, arrived moments later in a bullet-proof Mercedes-Benz and took charge of the freed American hostage.

The release of the American

Continued on Page 24

EC leaders set to back political union at Dublin

By *Tim Dickson and Kieran Cooke* in Dublin

EUROPEAN Community heads of government appear ready to commit themselves to working towards closer political union at next weekend's special EC summit in Dublin.

The surprising degree of enthusiasm which greeted Franco-German proposals for political union at a weekend meeting in the Irish capital of the Community's foreign ministers will intensify the political dilemma over Europe facing British Prime Minister Margaret Thatcher.

In London, Mrs Thatcher contrasted the suggestion that the powers of EC institutions should be strengthened with her vision of a Europe of "proud sovereign states" co-operating freely while maintaining the authority of their national parliaments.

However, amid fears among the Government's own supporters that Britain might be "left behind" in a two-speed Europe, officials made it clear that she would play an active role in any discussions.

The view at Westminster is that the risk of divisions over Europe enhancing the potential threat to Mrs Thatcher's leadership posed by Mr Michael Heseltine, demand a positive approach.

Officials confirmed that if the other states press ahead with discussions on the Franco-German plan, Britain will table its own proposals for institutional reform designed to improve the effectiveness of the Community.

The EC foreign ministers expressed considerable sup-

Continued on Page 24

British Telecom profits likely to spark prices row

By **Hugo Dixon** in London

BRITISH Telecom's profit margin on international telephone calls is nearly 60 per cent, according to a confidential internal document.

The high level of profit reflects BT's dominant position in the UK market and its membership of an international telephone cartel whose activities were revealed by the Financial Times earlier this month.

The document discloses that BT expected international calls to generate profits of £445m ($720m) from revenues of £770m in the year to March 31 1988. Since the document was written, the company's profit margins from international calls have almost certainly increased as advances in technology and economies of scale from higher traffic have cut costs.

BT's 1987-1988 profit margin – operating profit as a percentage of net revenue – was 58 per cent. This meant that telephone users were being charged well over twice costs, even after taking into account depreciation and a contribution paid towards the use of BT's domestic network by the international division.

Asked to confirm that its profit margins on international calls were at this level, BT said yesterday that the company would not reveal precise figures on grounds of commercial confidentiality, but that the margins were "pretty good."

The detailed information on BT's international profits will put pressure on the UK's Office of Telecommunications, the industry's watchdog which has recently launched an investigation into international prices, to force BT to cut them.

It will also increase the likelihood that the Government will license new companies to compete with BT and Mercury in international services from November when their monopoly rights run out.

Oftel said yesterday that it would look at BT's profit margins as part of its present review. The organisation said its general policy was to introduce more competition into telecommunications markets, but it would not say what it proposed to do until the review was completed at the end of the summer.

The BT document, which dates from 1987, is an internal planning paper produced by the company's international division projecting profits. It shows BT's revenues, costs and profits on a route-by-route basis.

They are the first detailed figures on the international telephone cartel to enter the public domain and are probably broadly representative of profits on international calls made by telephone companies in other countries. Some other telephone companies, such as Spain's Telefonica, which charge their customers even higher prices for international calls, are probably earning fatter margins.

Of BT's major routes, the document shows that the highest margins were with Israel at 79 per cent. The lowest were with Italy at 36 per cent. The only route on which BT lost money was UK-Libya, where provisions for bad debts pushed it marginally into the red.

Background, Page 7

Daimler-Benz seeks guarantee on jobs if Bonn abandons EFA

By **David Marsh** in Bonn

DAIMLER-BENZ, West Germany's vehicle and aerospace conglomerate, has called on the Bonn Government to be ready to arrange alternative employment in civilian activities if Germany withdraws from the European Fighter Aircraft project.

In an interview with the Financial Times, Mr Edzard Reuter, the Daimler chairman, said the question of Germany's future participation in producing the EFA was still "fully open."

The aircraft is a joint venture between Germany, Britain, Italy and Spain. Indicating how seriously Germany's largest company is taking growing opposition to the project in Bonn, Mr Reuter said: "If the German Government and the other participants decide not to go ahead, then they will have the responsibility, for a transition phase, to secure employment of another kind.

"Capacities have been built up, development and production capacities for military aircraft, as the result of a political decision." This meant that the state would have to help shoulder the consequences "if the political decision is now made that these capacities are no longer required."

Mr Reuter said: "It seems at present sure that we will complete the EFA development phase [running to about 1994]." But a German withdrawal from the production phase was a possibility.

"What happens then will depend on future decisions." One possibility was that the West Germans would pull out, but the aircraft would still be built.

It was also possible that the Bundeswehr, the German army, would decide on another aircraft, such as a modernised Tornado, he said.

Mr Reuter gave the first comprehensive list of joint projects being studied between Daimler and Japan's Mitsubishi group, under a co-operation accord announced last month.

These included joint production of a future cross-country car, as well as collaboration in commercial vehicles, transport systems, household appliances, space rockets and satellites, regional aircraft and aero-engines.

Commenting on the lawsuit lodged on April 2 by General Electric of the US against Daimler's proposed aero-engine link with United Technologies, Mr Reuter said it appeared to reflect impulsiveness by GE. "I am convinced that the lawsuit is without foundation."

Mr Reuter, who had private talks last month with President François Mitterrand of France, gave a fresh insight into the past few months of strains between Paris and Bonn over German unification, although he said this phase was now over.

"I think it may be possible that the co-operation between Volvo and Renault [announced at the end of February] was not decided without French political influence, probably from the French President, against the background of this irritation between France and Germany," he said.

Daimler-Benz took over Germany's prime defence and aerospace contractor Messerschmitt-Bölkow-Blohm in a deal finally agreed last autumn. Mr Reuter confirmed that MBB's subsidiary, Deutsche Airbus, the German partner in the European Airbus programme, suffered large losses last year as it made provision for risks previously borne by the government.

Although he could not confirm a reported figure of DM1bn ($1.67bn) losses, he said, "such an order of magnitude would not be especially surprising."

Monday Interview: Edzard Reuter, Back page, Section 11

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THE MONDAY INTERVIEW

Edzard Reuter, chairman of Daimler-Benz, is hurtling along on a global corporate adventure. Yet he manages to look like a man with time on his hands as Daimler spreads its wings. **Page 42**

Brady bid to extend SEC powers to Chicago

By **Lionel Barber** in Washington

MR NICHOLAS Brady, US Treasury Secretary, is preparing to launch a personal campaign to persuade Congress to transfer to the Securities and Exchange Commission (SEC) regulatory powers over stock index futures trading in Chicago.

Mr Brady's proposals are certain to arouse opposition from the Commodity Futures Trading Commission (CFTC), which jealously guards its authority over the Chicago futures markets and enjoys support among the powerful agriculture lobby in Washington.

However, Mr Brady, a former top Wall Street executive who chaired a presidential inquiry into the 1987 stock market crash, has long argued that stock index futures trading can contribute to excess market volatility, and that it should be subject to a single regulator.

Mr Brady has told his Treasury staff that the transfer of powers from the CFTC to the SEC should be a "top priority" in the coming legislative session. He is due to unveil the Administration's proposals in testimony to the Senate Agriculture committee on May 8.

A man who shuns the role of globe-trotting financial statesman cultivated by his predecessor Mr James Baker, Mr Brady has turned his desire to streamline the regulation of the financial markets into a personal political mission.

He feels that excessive market volatility, especially after the 1987 crash, has undermined individual investors' confidence, and argues a single regulator for stocks and futures products would allow better control of the margins, or deposits, put by investors in the futures markets.

The Treasury does not believe Chicago futures margins should necessarily be raised to the level of the New York equity markets, "but we think they should be harmonised", said one official. Mr Richard Breeden, SEC chairman, broadly shares this view.

Reforming margins or shifting changing regulatory responsibilities has in the past met with strong opposition from the CFTC and the Chicago financial and political establishment. Mrs Wendy Gramm, CFTC chairman, has fended off several challenges in recent years.

This time, Mr Brady has stopped short of calling for a merger between the SEC and CFTC, and hopes to have a better chance of selling his case on Capitol Hill. Deftly, the Treasury has told Congress it supports Mrs Gramm's bid for renomination, due this year.

As usual in Washington, jurisdictional squabbles will figure prominently, and the Treasury knows it must allay fears that a weakened CFTC will lead to a loss of power by the agricultural committees. It is therefore looking at ways to amend existing legislation – the Commodity Exchange Act – rather than coming up with a new raft of legislation.

Mr Brady's enthusiasm for regulatory reform is tempered by the knowledge that time is not on his side. Congress will most likely have to consider and approve changes in the law before July, when most law-makers will leave Washington to campaign in the run-up to the November mid-term elections.

Likud admits paying $1.8m to Jerusalem settlers

By **Hugh Carnegy** in Jerusalem

THE Israeli Government admitted yesterday that it provided financial backing for the controversial takeover by Jewish settlers of a large building in the Christian Quarter of Jerusalem's Old City.

The admission of government involvement was certain to fuel the anger of the Christian and Moslem Arab communities over the takeover and will be greeted with dismay in Washington at a time when Israel is seeking extra US government aid for the housing of immigrant Soviet Jews.

The US, strongly opposed to Jewish settlement in the occupied West Bank and Gaza Strip, recently signalled additional concern about Jewish settlement of Arab areas of Jerusalem also captured in the 1967 Six Day War.

Yesterday the Housing Ministry, headed by Mr David Levy, a leading member of the hardline Likud party and a prominent supporter of Jewish settlement in the occupied territories, confirmed allegations by Mr Yossi Sarid, a leftwing member of parliament, that it had put up $1.8m to back the move by a 150-strong religious group into St John's Hospice in the heart of the Old City's Christian Quarter.

The ministry said the sum, transferred via a financial subsidiary of the quasi-governmental Jewish Agency, represented 40 per cent of the cost of acquiring the Church-owned hospice, which was leased by a Panamanian-registered front company from the existing Armenian tenants. The ministry denied that its contribution was illegal.

Its statement added weight to allegations by Mr Sarid and others that senior Likud ministers, including Mr Levy and Mr Ariel Sharon, until March Minister of Industry and Trade, were involved in planning the acquisition of St John's for months. They may have helped raise additional funds the settlers say came from hitherto unidentified wealthy Jewish investors overseas.

The settlers' move, just before Easter, was in defiance of the delicate status quo in the Old City whereby Jewish, Christian and Moslem residents largely keep to their own quarters. It sparked strong protests by the Greek Orthodox Church, which owns St John's, the local Arab community, which includes many Christians, and Mr Teddy Kollek, the Jewish Mayor of Jerusalem. The Church is contesting the new lease in the Supreme Court.

Milken 'junk bond' case on the verge of settlement

By **Martin Dickson** in New York

THE biggest criminal case in Wall Street history is on the point of settlement this week, following a tentative agreement by Mr Michael Milken, the man who single-handedly created the "junk bond" market, to plead guilty to six charges involving securities transactions, and pay $600m (£366m) in fines.

This would be the largest fine ever imposed in the US on an individual, and Mr Milken, former head of the "junk bond" department at the now-defunct securities house Drexel Burnham Lambert, would also face a prison term, possibly of up to five years.

But there were reports yesterday that the settlement would not require Mr Milken to provide evidence he might have of any wrong-doing by other financiers involved in the 1980s takeover boom, which Drexel's "junk bonds" played a large role in financing.

Wall Street had been expecting government officials to seek such information from Mr Milken, which might widen still further the net that first opened in 1986. That was when Mr Ivan Boesky, the share speculator, agreed to pay $100m to settle insider-trading charges and co-operate with a much wider investigation into criminal activities on Wall Street. The Milken settlement might therefore mark the high point of the Government's inquiry, leaving many questions unanswered.

Michael Milken: fallen junk bond king

Mr Boesky, who emerged this month after two years of a three-year jail term, provided evidence against both Mr Milken and Drexel, which subsequently agreed to plead guilty to six felonies and pay $650m in fines. The bank, faced with mounting liquidity problems, collapsed two months ago.

Mr Milken was indicted in March last year on 98 counts alleging racketeering and fraud. His lawyers and senior officials from the US Attorney's office had spent months in talks for a possible plea-bargain to settle the case, and prosecutors had threatened to file additional charges against the financier unless agreement was reached by last Friday.

Late on Friday, Mr Milken was reported to have tentatively agreed to plead guilty to six of the lesser charges against him, apparently centring on alleged fraudulent activities involving securities trading. But he will not plead guilty to any of the more serious charges of racketeering or insider trading, which might carry much longer prison sentences.

The settlement, which also appears to drop charges against Mr Milken's brother, Lowell, is not entirely fixed. Mr Milken's agreement still appears tentative, while any deal is subject to approval of the courts. Federal District Judge Kimba Wood, who is hearing the case, is expected to hold a meeting of the various parties tomorrow.

The proposed deal will still leave Mr Milken a rich man. As the highest-paid executive in the US securities industry in the 1980s, he received more than $1bn from Drexel between 1983 and 1987 and is believed to have made huge sums from investments on his own account. But the plea-bargain is now likely to unleash 73 civil suits from investors alleging he defrauded them.

The rise and fall of Mr Milken and Drexel was the most remarkable Wall Street phenomenon of the 1980s. Working from an office in Beverly Hills, California, Mr Milken created a huge market for "junk bonds" - high-yield securities from second-rank companies traditionally spurned by top Wall Street houses. He claimed the higher returns more than offset the risk of default.

His clients, many of them fringe financiers at the start of the decade, used this paper to launch highly-leveraged takeovers. Some of the biggest investors were savings and loans institutions. That industry is now the subject of a government bail-out, amid allegations of fraud.

Ministers set July deadline for trade talks breakthrough

By **Peter Montagnon** in Puerto Vallarta, Mexico

TRADE ministers from 30 leading nations have set a deadline of July for establishing an outline package of agreements to help complete the Uruguay Round of multilateral trade negotiations.

The package will cover all 15 items on the Uruguay Round agenda and the July deadline is intended to help produce political concessions needed before detailed work on a final agreement can begin.

Unless decisions – for example, on reform of farm and textile trade – are taken by July, many trade officials fear it will be impossible to complete the Round on schedule in December. This would pose problems for the Bush Administration, whose negotiating authority from Congress runs out shortly afterwards.

At the suggestion of Mr Frans Andriessen, European Community Trade Commissioner, the July meeting of Uruguay Round negotiators will be attended by "sub-cabinet"-level officials high enough to inject some political content.

Though the talks failed to produce a breakthrough on any key issue, the ministers left at the weekend convinced they had summoned the political will to tackle the Round's most difficult final stage.

The ministers said their three days of talks had helped clarify positions. This process would continue between now and July, paving the way for the re-assessment of national positions and the political decisions needed to complete the negotiations.

However, Mr Neal Blewett, Australia's new Trade Negotiations Minister, warned that wide disagreements remained over world farm reform where neither the objectives nor the procedures had been firmly agreed.

"It is going to be tough and difficult to get the parameters in place in July," he said.

US officials were encouraged by the agreement to examine reduction of farm support in each of the main areas concerned – export subsidies, import barriers, and domestic aid.

They hoped this would prompt the EC to begin considering specific measures for reform and to back away from its controversial insistence on being able to "re-balance" cuts in one form of subsidies with increases in another.

However, Mr Andriessen said the EC was prepared to contribute to the negotiations but not on the basis of the elimination of trade-distorting subsidies demanded by the US.

Delegates said the North-South confrontation, which many had feared, had failed to materialise as developing countries began to develop different positions.

Mr Arun Nehru, India's Trade Minister, met little support for a hardline speech on foreign investment rules, and Brazil, which had previously been a staunch ally of India, appeared to be moving towards a more conciliatory position.

Editorial comment, Page 22

WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES (US$m)

	Feb.'90	Jan.'90	Dec.'89	Feb.'89
US	43,913	45,233	55,862	19,306
UK	31,839	31,765	31,987	40,742
W. Germany	57,145	56,001	55,862	50,660
Japan	73,483	75,738	77,992	91,981
Belgium	9,920	9,941	9,760	7,962
Italy	45,755	46,001	44,278	34,219
Netherlands	15,530	15,146	15,027	14,368
	Jan.'90	Dec.'89	Nov.'89	Jan.'89
France	21,646	21,868	21,674	22,117

Source: IMF

Canadian rates hit eight-year high

A jump in Canadian interest rates to their highest level in almost eight years has heightened fears of recession and highlighted international worries over Canada's economic and political prospects, writes Bernard Simon in Toronto.

Banks lifted their prime lending rate last Friday by half a point to 14.75 per cent, following another steep rise in the Bank of Canada's trend-setting weekly bank rate. The bank rate now stands at 13.77 per cent, compared with just above 12 per cent earlier this year.

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COUP ATTEMPT IN NIGERIA

Religious tension behind challenge to Babangida

Despite quashing yesterday's coup, Nigeria's president faces formidable problems, write **William Keeling** in Lagos and **Michael Holman** in London

FEW AFRICAN leaders are as well equipped to foil a coup as Nigeria's President Ibrahim Babangida.

His considerable experience in usurping power goes back to 1976 when he helped put down a plot against the military government of the day. He later played a key role in the 1983 overthrow of President Shehu Shagari, the country's last civilian leader, and in August 1985 took over the top job himself when he skilfully ousted General Muhammadu Buhari in a bloodless coup.

The poacher turned gamekeeper may well have drawn on past lessons in his apparently successful handling of yesterday's attempted putsch by junior officers. But given the host of problems that surround him, he could have further occasion to draw on his expertise.

President Babangida's greatest achievement has been on the economic front. With the endorsement of the International Monetary Fund (IMF), and largely funded by the World Bank, he has introduced a far-reaching structural adjustment programme.

Key measures include trade liberalisation, a substantial devaluation of the Naira from 180 US cents to around 12.5 cents, and a privatisation plan involving nearly 100 companies.

IMF support paved the way to a series of external debt reschedulings – although Nigerian officials maintain that more help is needed if the country is to maintain debt servicing while at the same time trying to fund the recovery programme.

But nearly four years of austerity measures and a slump in oil earnings has severely eroded the government's popularity.

At the same time, President Babangida's image has been tarnished. Implementation of economic policies has sometimes been weak, with the result that some of the benefits have been delayed. Promises to end corruption have not been fulfilled, and senior army officers are among the worst offenders.

The honeymoon with the press and human rights campaigners which marked the first year or two of the Babangida government has ended; unrest has been simmering at many of the country's universities, fuelled by high levels of graduate unemployment; and the commitment to a phased handover to civilian rule by 1992 has been greeted by apathy and cynicism, the result in part of the government's imposition on the electorate of two newly created parties which exist in name only, accompanied by manifestoes which have no credibility.

Perhaps the most sensitive issue, however, reflected in the radio broadcast that signalled the coup attempt, is the growing tension between the Moslem-dominated north, home of the Hausa-Fulani peoples, and the largely Christian south, stronghold of the Yoruba and Ibo.

Although reference to a north-south division may oversimplify a complex issue, it is none the less a critical factor in Nigerian politics.

The rivalry has never been far below the surface, but it was exacerbated in 1986, when the government decided to become a full member of the Organisation of Islamic Conference. The decision, taken secretly and implemented without warning, antagonised many Christians, who feared it would jeopardise Nigeria's status as a secular state.

Over the past 18 months the rivalry has taken on a new dimension, prompted by developments in the northern state of Sokoto, which as well as alarming the south also adversely affect the President's standing in the north.

Among the most serious accusations levelled against President Babangida is that he has undermined the Sokoto-Caliphate, the Moslem heartland of Nigeria "by installing an unwanted sultan."

The sultan is the leader of Nigeria's Moslems, who make up about 50 per cent of the country's 120m people.

When the then incumbent Sultan Abubakar III died in 1988, there were at least four potential successors. The leading candidate appeared to be the Sultan's eldest son. However it is widely believed the government interfered with the succession contest, and aided the candidature of Ibrahim Dasuki, considered a close confidante of the president.

Disagreement over the sultan's succession, resolved in November, 1988, appears to be central to decision of what the coup plotters called the National Relief Council, which would have been the executive arm of government had the coup succeeded.

The Council said the new regime would exclude the northern states of Sokoto, Bornu, Katsina, Kano and Bauchi states from Nigeria. The states would be readmitted once the "rightful heir to the Sultanate, Alhaji Maccido" (the son of the late Sultan) was installed and a delegation led by Maccido sent to the federal government to vouch that the "aristocratic quest for domination and oppression will be a thing of the past."

All citizens of the five northern states were to have been "temporarily suspended from all public and private offices" in Middle Belt (states straddling the middle of Nigeria) and southern areas.

Reports of reaction from around the country were sparse last night. But in Kaduna diplomats reported Christians celebrating in the streets.

The city rests on what many see as a dividing line between the Moslem north and Christian south. In 1987, it suffered large-scale riots during which many churches were destroyed by Muslim crowds. And after a cabinet reshuffle in January this year, Christians demonstrated against what they saw as a religious bias towards Islam in the new cabinet.

Yesterday's news from Kaduna was a disquieting sign that in some parts of the country at least, the plotters' rhetoric had hit a responsive chord.

President Babangida meeting the Queen last year

Sad history of coups since independence

1960 – Independence from Britain
1966, January – Prime Minister Sir Abubakar Tafawa Balewa assassinated, Maj-Gen Johnson Ironsi takes control.
1966, July – coup, Ironsi killed, General Yakubu Gowon appointed head of state.
1967-1970 – Biafra civil war
1975 – Coup: General Murtala Muhammed takes over
1976 – Muhammed assassinated; succeeded by General Olusegun Obasanjo
1979 – Return to civilian rule under President Shehu Shagari
1983 – Coup: General Muhammadu Buhari
1985 – Coup: General Ibrahim Babangida

Politicians and creditors in a spin as economy struggles to revive

Just as one agreement is reached, another round of bargaining seems set to begin, **William Keeling** reports from Lagos

YESTERDAY'S coup attempt challenge to the Government of President Ibrahim Babangida will help focus attention on one of the key issues critical to Nigeria's future: the burden of the country's external debt and the heavy cost of servicing it.

Some $32bn (£18.8bn) is owed to external creditors, and since the early 1980s the debt has been subject to a seemingly endless round of rescheduling negotiations.

Just as one agreement is reached, another round of cross-table bargaining seems set to begin. Like dogs chasing their own tails, Nigerian politicians and foreign creditors alike expend much of their energy spinning in furious circles, while the surrounding economy struggles to revive.

At the centre of the negotiations lies oil. It accounts for 90 per cent of foreign exchange receipts, but revenue has slumped from $26bn in 1980 to less than $9bn last year. The Central Bank of Nigeria predicts a fall in foreign exchange earnings in 1990 to just $7.5bn. Gross national product per head has collapsed, from a high of $1,090 in 1981 to around $250 last year.

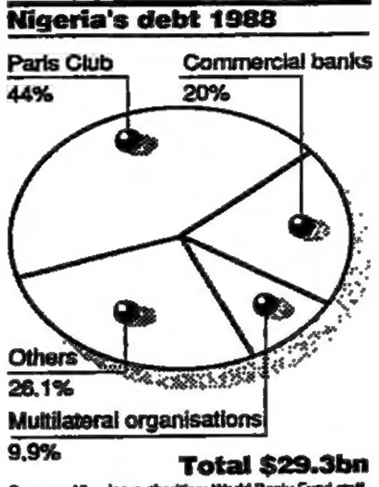
Despite these figures, the creditors argue that Nigeria can still pay its way if modest rescheduling of the debt is agreed. The government, which since 1986 has undertaken an IMF-approved (but not funded) structural adjustment programme, appears to be digging in its heels. It is arguing not only for the further rescheduling of debt but for substantial debt relief.

The finance minister, Chief Olu Falae, made clear the new stance in a meeting with the London Club creditors at the end of March.

He told the commercial banks – owed $5.5bn – that service payments were "too high and unsustainable". He said Nigeria would not be in a position to maintain payments at contractual levels beyond the first quarter of this year. Instead, he proposed issuing a new 30-year bond to cover the debt with a 10-year grace period and 3 per cent interest.

The creditors have asked the Nigerian delegation to furnish them with further details of expected foreign exchange earnings and a second meeting has been agreed.

Nigeria's debt 1988



Total $29.3bn

Sources: Nigerian authorities; World Bank; Fund staff

But as one Lagos banker put it: "The commercial banks have their backs against the wall. Having made provision for bad debt, they have little choice but to accept relief as its consequence".

How far down the road of debt relief Nigeria will succeed in travelling is as yet uncertain. Central Bank officials say that Nigeria is due to pay $4.5bn in debt-servicing in 1990 – equivalent to 60 per cent of projected foreign exchange earnings.

Faced with such a bill, the Government has announced that it will impose a ceiling for debt-servicing of 30 per cent of foreign exchange earnings. Even if they do win easier terms from the London Club, therefore, the Nigerian authorities will still owe far more than they say they are willing to pay.

To reduce the burden, a diplomatic offensive has been undertaken to persuade Paris Club members (primarily the Western export credit agencies) to embrace debt relief.

At the beginning of March, President Babangida made a state visit to France. Chief Falae has been in Europe, and is scheduled to fly on to Japan.

Nigeria's case has been strengthened by the recent fall in the price of oil. The 1990 budget was based on a forecast of a $16 per barrel year-end average. Earlier this year, that seemed over-cautious, but developments in the world market this month suggest the caution may be justified.

Western diplomats and bankers have nevertheless adopted a tough stance, apparently reluctant to take the step from rescheduling to relief. A senior diplomat explained the reasons: "Nigeria needs a change of mentality towards investment; the climate is still unattractive. Secondly, we believe they have sufficient income to meet their obligations."

Both the London and Paris Clubs are sceptical of Nigerian figures for how much the nation earns. Last year, the country not only met its debt obligations but managed to boost its external reserves from $611m to $1.79bn, or four months' import cover. Many analysts have argued that with external reserves now at an acceptable level, the Government will have at least an extra $1bn to play with in the next financial year – but this calculation would have to be revised if the oil slump continues.

Other economic indicators show signs of improvement. While the inflation rate a year ago stood at over 50 per cent, bankers believe it is now under 10 per cent. This may be set to change following a recent increase in the money supply and with interbank interest rates falling from 35 per cent six weeks ago to under 25 per cent now.

But many bankers consider the Government's overall economic performance has been good and believe it will receive the further backing of the International Monetary Fund after their present agreement expires at the end of this month.

This would leave Nigeria in the odd position of being at loggerheads with the Paris Club, despite its economic performance having the IMF's stamp of approval.

Negotiations with the Paris Club, scheduled for June, may well be a tense affair.

The Nigerian Government is set to argue that, having reduced inflation and raised foreign reserves, simply to reschedule would be to penalise it for improved economic performance. Moreover, to be made to suffer at a time of falling oil prices would sabotage the gains so far made.

OVERSEAS NEWS

EC leaves sanctions issue open

By Kieran Cooke and Tim Dickson in Dublin

THE European Community has left open the option of applying economic sanctions against the Soviet Union after a special weekend meeting of EC foreign ministers in Dublin gave strong backing to Lithuania.

A 12-member declaration expressed "serious concern" at the steps recently introduced by Moscow in relation to the Baltic republics, and pledged to "keep the situation and its policy implications under continuous review".

Diplomats said this was a reference to the trade and co-operation agreement negotiated with the Soviet Union last December. If events turned out for the worse, suspending parts of that accord might be considered.

It was stressed that while member states sympathised with the Lithuanians' plight, the EC felt the best solution lay in negotiation. Mr Douglas Hurd, UK Foreign Secretary, said the EC was seeking restraint on all sides. "Too much has been achieved in the Soviet Union to have it all thrown away. It is important to keep perestroika going."

The joint statement attacked any actions of a "coercive nature". The Twelve said "an outcome acceptable to all must be sought and this is possible only by means of discussion".

Aid approved for Chernobyl after-effects

By John Lloyd

THE Presidium of the Soviet Council of Ministers, or cabinet, has approved the spending of Rbs16bn (£16bn at the official rate) over the next two-and-a-half years on the after-effects of the Chernobyl disaster.

The sum indicates how deep the crisis caused by the explosion in April 1986 has turned out to be.

The cabinet has also adopted a resolution to undertake long-term measures, which include hiring foreign experts to assist Soviet scientists in coping with the medical and environmental after-effects.

The fourth anniversary of Chernobyl, which falls on Thursday, is being given huge publicity – in contrast with the virtual blackout imposed at the time, when the authorities' slow response almost certainly meant an unnecessary further loss of life.

The main targets of the programme will be to improve medical aid, provide uncontaminated food to the affected regions around Chernobyl and raise social security payments to the most directly affected, especially children and the elderly.

The fallout from the explosion covers a vast area in the Ukraine – where the station is sited, some 120 miles from the republic's capital, Kiev – and in neighbouring Belorussia and Russia.

Soviet price rises put back for year

By John Lloyd in Moscow

A SENIOR economic adviser to Mr Mikhail Gorbachev, the Soviet President, has said that retail price increases, confidently forecast for this year as a key part of economic reforms, will not be brought in until at least next year.

Mr Vladislav Shatalin, a leading academician and economist, and a member of the Presidential Council, in a grim forecast for Soviet consumers, said that even if the measures went into effect next year, they would not cause an improvement in the supply of goods to the consumer market for "two to three years".

In a further confirmation of delay now besetting the reform programme, Mr Ivan Laptev, the new chairman of the Supreme Council of the Union (one of the two chambers of the Supreme Soviet), said that the 15 or 16 bills being drafted to implement the pro-market reform may not be put before the Soviet until its autumn session.

No date has yet been set for the start of this session.

Meetings of the Presidential Council last weekend and midweek, which had been supposed to finalise the package of laws, ended with a statement by Mr Gorbachev on how much more work needed to be done, particularly in seeking a social consensus on what are widely feared reforms.

Mr Shatalin said that the reforms should:

- Abolish "as soon as possible the industrial ministries, which are one of the main factors of our monopolistic and ineffectual development";
- Allow land to be sold in cities as well as in the countryside, "not fearing that land will be bought by the agents of the shadow economy. Those who fear wolves should not go into the forest."
- Open up areas of the Soviet economy for direct foreign investment, as well as allowing and encouraging joint ventures.
- Cut capital spending for industrial construction, in favour of reconstruction of existing plants – which would have the twin virtue of being cheaper, and of more rapidly increasing supplies of consumer goods.
- Cut heavily arms expenditure, because "maintaining the largest army in the world and maintaining living standards is pure economic adventurism";
- Institute a system of payment of wages by results.
- Ensure the equality of all enterprises, whether state, co-operative or private, and encourage the further development of co-operatives by ensuring them privileged access to supplies, and lower tax rates.

Tudjman: 'The communists don't stand a chance'

Big turnout of voters in Croatia

VOTERS turned out in large numbers in the western Yugoslav republic of Croatia yesterday, where nationalism has dominated the first free elections since before the Second World War, Laura Silber reports from Zagreb.

In the first round of parliamentary and local elections, about 3.5m voters chose between the Communist party, renamed the Party of Democratic Change, the Nationalist Croatian Democratic Union (CDU), and the Coalition of National Agreement (CNA), a broad 10-party front.

Opinion polls in Zagreb showed strong support for the CDU, which has called for an expansion of Croatia's borders. Mr Franjo Tudjman, CDU president, said: "I am convinced that CDU will win an absolute majority. The Communists don't stand a chance of regaining power this century."

Mr Tudjman has stirred up national emotion and built up a large following in Croatian emigré communities in Europe, North America and Australia, many of whom have returned to Yugoslavia for the elections. Mr Ivica Racan leads the Party of Democratic Change.

In the neighbouring republic of Slovenia, Mr Milan Kucan, Communist presidential candidate, faced Mr Joze Pucnik, from Demos, an opposition coalition, in the second round of elections. Demos defeated the Communists in the first round on April 8.

New York cleans up on Earth Day

Karen Zagor attends an environmental extravaganza in litter-strewn Manhattan

AMID the skyscrapers and litter-strewn streets of Manhattan, in one of the most unnatural habitats known to man, the 20th anniversary of Earth Day was cheered in yesterday with parades, concerts and the world's biggest energy-efficient light bulb.

While the Soviet Union is showing more open concern about the after-effects of the Chernobyl nuclear disaster, the US is imbued with the spirit of Earth Day 1990.

The sun shone on the great lawn in Central Park, where groups such as the B-52s, Edie Brickell and the Roches, and a host of politicians and entertainers, entertained the crowds. Mr David Dinkins, New York's mayor, and the dean of the Cathedral of St John the Divine both spoke at Times Square, an area better known for prostitution than preservation.

In a packed bar in Hoboken, New Jersey, the crowd gave money to Greenpeace and danced enthusiastically to the Ballad of Gary Gilmore and other local hits.

The original Earth Day, which was started in California, is credited with prompting the first US Clean Air and Clean Water acts, and the creation of a government watchdog agency, the Environmental Protection Agency.

Twenty years later it has turned into a multi-media nationwide three-day extravaganza. Big businesses have set up stalls to show how concerned they are about environmental problems. Shaklee, which makes personal and household products, paid $50,000 (£30,500) to be the first official corporate sponsor of the event. In Texas and Louisiana, the Fina Oil and Chemical company sponsored recycling projects, tree plantings and highway clean-ups.

While some environmentalists applaud the sentiment behind Earth Day and the growing corporate awareness of pollution problems, others are concerned that the festivities will promote complacency and that the corporate involvement is hype.

"Earth Day is fine in the sense of raising general awareness, but I'll withhold judgment on its enduring aspects for at least six months," said Mr Russ Weis, who works at Wetlands Preserve, a nightclub in New York which boasts organically grown food and an ecological information centre.

There are some encouraging signs that the nation is taking its pollution problems seriously. Earth Day 1990 was ushered in by overwhelming Senate approval for tougher clean air legislation. The compromises involved please neither environmentalists nor the far right, but the legislation is nevertheless a big step.

New York, which was dubbed the pollution capital of the world 20 years ago, is less polluted than it was in 1970.

But the problems remain gargantuan and the city government is strapped for cash. Each of New York's 7m residents produces five pounds of rubbish a day, about twice as much as the average European. In an attempt to improve the city's air, Mayor Dinkins has declared a moratorium on all new garbage incinerators, and older incinerators have been replaced with garbage compactors.

As the waste continues to mount, one member of the animal kingdom is thriving. Despite extermination efforts which include sprinkling Central Park with rat poison, rats are vying to outnumber humans in the city. At the moment, the ratio is one to one.

'European pillar for Nato' meeting today

By Robert Mauthner, Diplomatic Correspondent

FOREIGN and Defence Ministers of the nine-nation Western European Union will today discuss practical steps for creating a European pillar of Nato, including the formation of multinational military units.

The Ministers, meeting in Brussels under the chairmanship of Mr Gaston Eyskens, Belgian Defence Minister, will have before them a specific proposal, for creating an embryonic European army, from Mr Willem Van Eekelen, WEU Secretary-General.

"Such a European multinational force would enable us to identify ourselves more clearly in relation to the Americans," Mr Van Eekelen, a former Dutch Defence Minister, said before the meeting. At the same time, it would answer US demands that the European members of the Atlantic Alliance should share more actively in their own defence.

Mr Van Eekelen considers the formation of multinational units in Europe would be an important contribution to solving the defence problems of a unified Germany, but he stressed the German problem was only one aspect of his proposals.

"I want to proceed step by step," the Secretary-General said. Initially, he proposes the formation of a British-Dutch-German unit of divisional strength, with each participating country contributing one brigade of about 4,000-5,000 men, probably stationed in West Germany.

"I am thinking of a highly mobile situation," he said. But the UK, which supports the plan in principle, wants each country to contribute a division of some 15,000 men.

Mr Van Eekelen sees these multinational units as coming under Nato's integrated command. But it seems as if such a plan would have to exclude France for the moment, since the French have not been a member of Nato's integrated command structure since 1966.

Nor is it clear how the proposed new multinational units would relate to the Franco-German military brigade which the two countries have set up at a bilateral level.

Another political problem likely to arise if present Franco-German plans for a European Community political and security organisation materialise is what would be its relationship to WEU, a security organisation grouping only nine of the EC's 12 members.

Bangladesh aid pledges scaled down

By William Dawkins in Paris

WESTERN aid donors yesterday pledged $1.8bn (£1.1bn) of soft loans and grants for Bangladesh in the coming year, far less than the $2.5bn it had been asking for and 22 per cent less than last year.

The 19 members of the World Bank aid group, meeting in Paris, scaled back the requests because of concern over the Government's recent economic management. This exacerbated the impact of floods, so that growth in gross domestic product halved from earlier levels to 2 per cent during the past two years, picking up to an expected 5 per cent this year.

Mr Mohammed Abdul Munim, Finance Minister, said he was not disappointed but added: "This shows a new atmosphere in the aid climate. In the future, we can see there will be a more vigorous examination of the cost effectiveness and utilisation of aid."

For the first time in recent years, Bangladesh will be subjected next autumn to a mid-financial year review by the World Bank group. By then Mr Munim expects five more countries to come forward with further pledges.

POLAND'S Solidarity trade union has furthered Mr Lech Walesa's campaign to become the country's president by overwhelmingly re-electing him as its leader, Reuter reports from Gdansk.

Delegates at Solidarity's second national congress on Saturday not only handed Mr Walesa – pictured right – a crushing victory over two rivals for the leadership, but by implication endorsed his dream of installing a "president-unionist" in Warsaw. Yesterday the congress also called for new elections to parliament.

Mr Walesa was re-elected chairman with 78 per cent support, compared with the 55 per cent he won at Solidarity's previous congress in 1981.

Bonn flexible on German monetary union

By David Marsh in Bonn

THE WEST German Government is likely to be flexible over forthcoming monetary union talks with East Germany but its main proposals are not expected to depart radically from suggestions by the Bundesbank three-and-a-half weeks ago, Bonn officials said yesterday.

The officials were speaking before a meeting between Chancellor Helmut Kohl and ministers, who were due to deliberate until late yesterday evening on a planned economic treaty between the two East German states.

A further meeting between Mr Kohl and leaders of the three-party Bonn coalition is due this morning. Mr Kohl wants to finalise details of the treaty by the end of the month, so that German monetary union can take effect after a necessary two-month preparation by the July 1 target date.

East German finance ministry officials visited Bonn at the end of last week to study West German budgetary planning. This was part of preparations for East Germany to introduce, for the first time, a proper budget from July 1.

Mr Manfred Carstens, parliamentary state secretary in the Bonn Finance Ministry, said that East Germany was running a budget deficit estimated at an annual DM20bn-DM40bn (£7.2bn-£14.4bn), likely to rise next year to DM40bn-DM60bn. But he repeated that Bonn would not increase taxes to plug the gap.

Mr Kohl has come under heavy pressure from East Germany to soften the terms of monetary union recommended by the Bundesbank. The central bank suggested that most East German assets and liabilities, except smaller savings accounts, should be exchanged into D-Marks at a rate of 2 to 1.

Mr Lothar de Maizière, the new East German Prime Minister, is insisting on a general 1 for 1 conversion rate, pleading that otherwise East German wages and pensions, already low, will be halved.

West German officials reject as "nonsense" East German protestations about a halving of pensions and wages, saying that Bonn will offer a differentiated solution which will allow wages to be set by market conditions.

Mitterrand slips in popularity

President François Mitterrand's popularity in France has fallen to its lowest for four years, despite the Government's successful management of the economy, an opinion poll shows, William Dawkins writes from Paris.

The survey, the third in two weeks, to show a drop in Mr Mitterrand's support, found 42 per cent dissatisfied with his performance, and only 39 per cent satisfied. This is the first negative score given him since 1986, when the Socialists lost the parliamentary election. The survey was published in the Sunday newspaper Le Journal du Dimanche.

The poll attributes some of Mr Mitterrand's falling popularity to the perception that he is giving too much time to international affairs instead of day-to-day issues such as immigration and corruption. The results come after Mr Mitterrand's meeting with President Bush of the US, and ahead of his two-day summit with Mr Helmut Kohl, West German Chancellor, in Paris this week.

The Government's standing has been hit by its recent law pardoning political workers suspected of financial corruption, while Mr Mitterrand's leadership style is being criticised because of his apparent misjudgment of a power struggle inside the Socialist Party. Last month, Mr Mitterrand's own followers scuttled his attempt to promote Mr Laurent Fabius, a former Prime Minister, as party Secretary-General.

Pope summons synod to discuss eastern Europe

POPE John Paul summoned an unprecedented synod of bishops to discuss the Continent's democratic revolution during his weekend visit to Czechoslovakia, Reuter reports.

The Polish Pontiff made the surprise announcement of a European-wide synod at the end of a mass in Velehrad, cradle of Slavonic Christianity.

The Pope, who himself played a leading role in inspiring democratic changes in eastern Europe, has turned his tour into a celebration of the collapse of Communism. Addressing 250,000 people at a mass in Velehrad, the Pope said: "Behold the night is over, day has dawned anew."

Vatican spokesman Joaquin Navarro-Valls said the date or place of the synod, at which representatives of all European bishops' conferences would gather, had not yet been set.

Mexico may halt co-operation with US in drugs fight

By Richard Johns in Mexico City

MEXICO has threatened to stop collaborating with the US in the fight against drug trafficking unless the alleged kidnapping from Guadalajara of Mr Humberto Alvarez Machain is "satisfactorily" explained.

The warning was given by Mr Enrique Alvarez del Castillo, the Attorney-General at the end of a conference held in the Pacific resort centre of Ixtapa at which chief law enforcement officers of 32 different countries reached a wide-ranging agreement on co-operation in combatting the narcotics trade.

Mexico's complaint about a possible infringement of its sovereignty is exceptionally serious given the commitment of President Carlos Salinas de Gortari's administration to waging war on the trade in close collaboration with the US. Washington has pledged to grant Mexico preferential treatment in the economic and commercial fields.

Before the meeting Mr Salinas said that any efforts by an external power to pursue law-enforcement activities within Mexico "would violate the most elemental forms of international law."

A major diplomatic confrontation seemed to be looming this weekend.

A spokesman for the Mexican Attorney-General's office said yesterday that the Government would seek the extradition of DEA agents responsible for the alleged kidnapping of the Guadalajara physician.

The Mexican Attorney-General said at the close of the Ixtapa conference that he hoped his department would complete an investigation into the disappearance by today.

Mr Dick Thornburgh, US Attorney-General, has promised an internal review of the case.

The DEA, a part of the Justice Department, has denied allegations of involvement either directly through its own agents or by hirelings.

Mr Humberto Alvarez Machain is one of 19 people accused by a Los Angeles Grand Jury of the torture and murder in 1985 of Mr Enrique Camarena Salazar, the US Drug Enforcement Administration agent whose death has been a major source of friction in relations between the two countries ever since.

The Mexican allegation is that Mr Alvarez was abducted on April 3 and handed over to the DEA in El Paso, Texas.

Commission reshuffles cards for company tax coherence

Brussels is adopting a new approach to iron out the wrinkles between the EC's 12 systems, writes **Lucy Kellaway**

EUROPE'S big companies want it badly. So does the Commission. So too do most member states. Without it there will be no Single Market for companies. But will it happen? Doubtful.

It is a coherent system of company taxation. For some 20 years, the Commission has been putting forward new directives, revising old ones, and launching fresh initiatives. The result so far: precisely nil.

Last week it came up with yet another new approach. It reshuffled the pack of yellowing directives, dropped one, and introduced two more. Today, three proposals will be put to finance ministers, backed by the threat that unless they approve them, the matter will be taken up with heads of governments in Dublin in June.

This is no small change of emphasis: what the Commission is now proposing is much less ambitious than its earlier plan. Then the aim was to have a standard rate of corporate taxation in Europe. That idea, as Mrs Christiane Scrivener, European Commissioner for Tax, said last week, has been overtaken by events, and now the game is not harmonisation but "mutual recognition" and co-operation between tax collectors in member states.

In practical terms, this means removing the wrinkles between the 12 tax systems, to ensure that companies which operate in more than one member state are not penalised, compared to those that do business in just one. The new aim is to do the minimum compatible with the Single Market: to remove any tax barriers that are seen as getting in its way.

Still, getting all member states to agree on the three existing measures is not going to be easy. The modest parcel has been stuck for 20 years; and while ministers have prevaricated, the need for such directives has steadily increased with the growing spread of companies' businesses across member states.

The three directives are:

- **Parent-subsidiary directive.** This would abolish withholding tax on dividend payments from subsidiaries in one country paid to parent companies in another.
- **Merger directive.** This would remove the capital gains tax that can arise on cross-border mergers. The tax would be deferred so long as the acquired company went on being a taxpaying entity in its home member state.
- **Arbitration directive.** This would involve setting up a body to settle disputes on double taxation and transfer pricing between member states.

European companies regard agreement on these as absolutely essential. The CBI, the Institute of Directors and Unice, the federation of European employers, have been lobbying for years to get the measures through, arguing they constitute one of the biggest remaining barriers to doing business across the EC.

The most urgent directive is the first, which affects almost all European companies with subsidiaries in more than one EC country. It is also the most seriously stuck. The problem is a steadfast refusal by West Germany to give up its withholding tax on dividends; and even a compromise put forward by Spain a year ago which would have allowed the tax to be phased out gradually failed to do the trick.

In spite of cajoling and threats from businesses and the Commission, Germany has yet to indicate any willingness to move. Revenues it stands to lose might amount to some DM150m (£55.5m) a year – hardly relevant against its total tax revenues. Yet the issue has a political importance: it might involve giving foreign companies an advantage unavailable to domestic ones, and is therefore not the kind of step the government is likely to take in an election year.

In contrast, the mergers directive is of potential, rather than actual, importance. Were a foreign company to take over, say, a German company fat with undisclosed reserves, the potential capital gains tax bill might make the whole operation unattractive.

Indeed the existence of such a tax threat is one of many reasons why such cross-border mergers do not happen; and the greater the progress made on removing the other barriers to cross-border mergers, the more important will it become to remove the tax barrier.

Until now, the Commission has been reluctant to separate the three directives, with the fear that the first one might then be stuck for ever. In its new mood, however, it seems prepared to put them forward together, separately, or in any other way that will increase their chances of passage.

In addition, it is putting the final touches to two more. The first is like the parent-subsidiary directive, but would apply to interest and royalty payments between parents and subsidiaries.

The second, more radical, directive would let companies use up losses of subsidiaries in one country against profits in another. This measure, likely to be put forward in the summer, is strongly supported by business, but is likely to meet with powerful resistance by member states.

The impossible struggle in the field of tax is in marked contrast to the progress made in other areas of the 1992 programme, and shows what happens when decisions have to be taken unanimously. At this rate, by 1993 a company may be able to sell the same products in all member states, but may be penalised by the tax man for doing so.

In an attempt to break the deadlock, the Commission is applying political pressure, and is treating the issue as a test of ministers' true commitment to 1992.

This tactic might have some effect; there is in any case a view that West Germany – in need of Community support these days – is proving a more conciliatory partner than previously. It has, after all, recently softened its stand on insurance and on investment services, two areas in which its resistance had appeared certain.

However, not just Germany has its doubts about the tax programme. Anything with even a whiff of harmonisation about it runs straight into the resistance of the UK, which still believes that tax is not the business of Brussels. Although Britain will probably back the present three directives, it will do so with little enthusiasm.

Meanwhile, the Commission has not abandoned its longer-term hopes altogether. Instead, it has handed the problem over to a team of experts, whose task is to see whether the diversity of corporate tax regimes in member states is distorting investment decisions and reducing competition.

This seems only too probable; tax rates vary from about 35 per cent in the UK to 50 per cent in West Germany, and the real tax burden may be more widely spread still, as the tax bases are also radically different.

However, in some countries corporate taxation is a much more important source of revenue than in others, so any attempt to shift the balance is likely to be strongly resisted. In Ireland, for example, only 2 per cent of government revenues come from corporate taxation compared with 11 per cent in the UK and 17 per cent in Luxembourg.

If the experts find that such differences are having an undesirable effect, they must decide whether market forces alone can be trusted to remove them, or whether more difficult directives need to be brought forward. Any such moves seem a long way off.

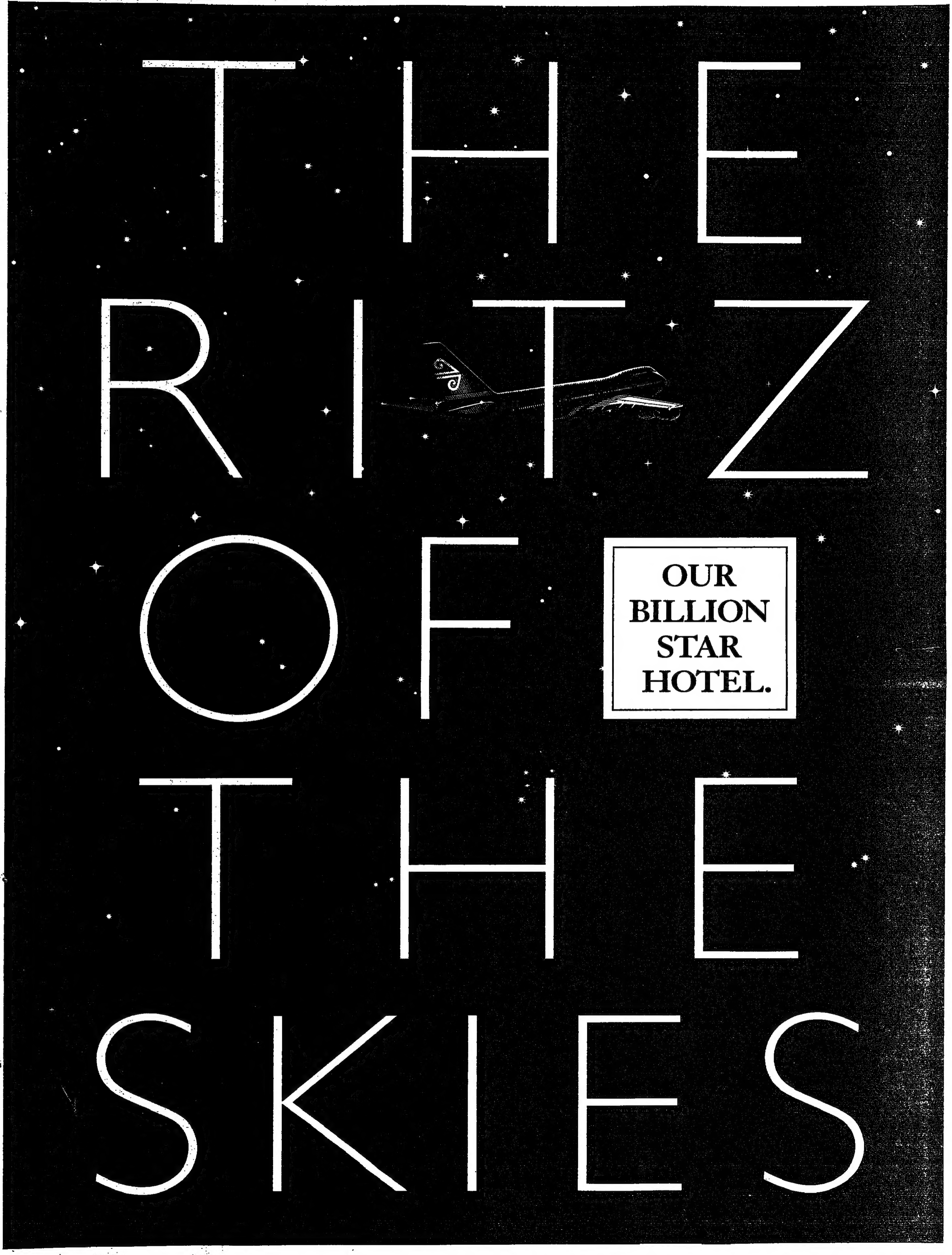
However much the Commission rationalises its new approach, tax harmonisation has been abandoned for the simple reason that member states do not want it. One might suspect the main task of the committee of experts is that of saving the Commission's face.

Sony to boost French output

SONY, the Japanese electronics company, is to boost the capacity of its seven-year-old French audio plant, turning it into the group's largest European factory by early next year, writes William Dawkins.

Sony will invest FFr150m (£16m), adding 350 jobs to the 850 already existing at a plant which makes compact disk players, video-cassette recorders and video cameras, at Ribeauville, Eastern France. The move comes two weeks after Sony announced the creation of its fifth factory in France, to be sited at Bayonne, where it will make electronics components for the Japanese company's other European plants.

This latest investment will boost the Ribeauville plant's monthly output of compact disk players from 70,000 to 100,000 units, while video-recorder production will rise from 20,000 to 25,000 sets a month, and video cameras from 20,000 to 30,000 units.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UK NEWS

Chancellor gives stark warning on high pay claims

By Rachel Johnson

MR JOHN MAJOR, the UK Chancellor of the Exchequer, has delivered a stark warning to his ministerial colleagues that the Treasury will not fund public sector pay awards which threaten its spending targets and anti-inflation strategy.

His warning, spelled out to the full Cabinet last week, comes ahead of today's re-opening of pay negotiations between unions and British Rail and against a background of the threat of industrial action in the power industry.

It is designed to pre-empt demands from departmental ministers that unions' pay claims should be conceded to avoid industrial strife and to set the tone for what is expected to be the toughest round of public spending negotiations since the early 1980s.

Mr Major told the Cabinet that the Treasury would not provide extra cash to fund large pay increases for rail, underground and power workers because the pressures on public spending and inflation have never been more severe.

In what was seen in Whitehall as a pre-emptive strike, Mr Major emphasised the need for the Government to maintain a tight fiscal stance and warned that high settlements could trigger a wage-price spiral.

His message came at the start of skirmishes between the Treasury and spending departments on their budgets for the 1991-92 financial year.

The warning also foreshadows what promises to be a difficult week for the Government. The rail unions re-open their talks with British Rail today and with London Underground on Thursday. Both employers have offered 8.5 per cent pay rises – inflation is currently at 8.1 per cent – which the unions have rejected, and demanded settlements of about 10 per cent.

Power workers have threatened selective industrial action if employers do not increase their rejected 8.5 per cent pay offer. Rising inflation is the main reason for the unions' rejection of offers.

● Pay settlements continue to outstrip productivity improvements in manufacturing, figures from the Confederation of British Industry show. Pay deals in the first quarter are averaging 8.5 per cent, compared with 8.1 per cent in the previous quarter. There has been a slight decline in productivity growth from 7 per cent last year to 6.5 per cent.

Barclays credit card charge expected

By David Barchard

BARCLAYS, Britain's largest UK clearing bank, is expected to announce tomorrow that it intends to follow Lloyds and introduce annual charges for its 9m credit card customers.

Barclays is by far the largest credit card issuer in the UK. If it introduces annual charges, other large banks such as National Westminster and Midland will come under strong pressure to follow suit or face mounting losses.

Barclays yesterday declined to comment on reports it would introduce a £10 annual charge later this year for Barclaycard, its Visa card. This would be £2 below the annual charge introduced by Lloyds last month on its credit card.

An annual charge would have to be announced at least six months in advance to give cardholders sufficient time to close their accounts if they were not willing to pay.

Lloyds was strongly criticised by Sir Gordon Borrie, director general of fair trading, for failing to secure the explicit consent of its 3m credit card customers before it introduced an annual charge.

Barclays announced early last year it was considering an annual charge because of the declining profitability of its credit card business.

MP defends head of Iraq gun company

By Ralph Atkins

CONSERVATIVE Member of Parliament Sir Hal Miller, yesterday said he would defend in court if necessary the managing director of Walter Somers in 1988, the West Midlands company at the centre of Iraqi gun controversy.

Sir Hal said that, if called, he would reveal the contents of a letter he sent the Prime Minister last week. In it, he says, are details of telephone calls made two years ago to Government departments which raised concerns voiced by Walter Somers.

Although the MP for Bromsgrove said he has "no quarrel with the Government", the political embarrassment surrounding the affair shows no sign of abating.

The Ministry of Defence and Department of Trade and Industry are likely to face further pressure this week to disclose how much they knew about the contract and, if they were warned, to explain why the companies involved were advised that no export licence was required.

Sir Hal, a former parliamentary private secretary to the Secretary of State for Defence, said his "sole concern" was "to protect the reputation and honour" of Dr Rex Bayliss, who was managing director of Walter Somers at the time.

Unqualified workers are willing to pay for training

By Lisa Wood, Labour Staff

UNSKILLED workers would be prepared to take out soft loans to pay for training, according to a report by Full Employment UK, the policy consultancy.

The report, commissioned by London East's Training and Enterprise Council (Tec), examined the reaction of groups of people, including the unemployed, the low-paid and adults taking part in government training schemes, to training ideas.

Unskilled workers interviewed in the preparation of the report expressed a strong interest in part-time training, said Full Employment UK. "The two key barriers they identified were lack of counselling and lack of finance."

Interviewees said they would be prepared to borrow money and favoured a loans facility to be linked to a counselling service – with the report also advocating new advice and guidance services to be set up.

Steering clear of the water pay whirlpool

Diane Summers sees how the privatised companies are coping with local bargaining

THE bread has, in most places by now, been cast upon the waters.

The 10 newly-privatised water companies in England and Wales are in the final stages of negotiating or have already reached agreement with at least their manual employees on pay for this year. For almost all of the companies it has been their first taste of local bargaining.

The initial signs are that the water companies will not be sucked into a pay whirlpool. Privatisation and the end of national bargaining, coupled with skill shortages, could still lead to competitive fishing in an increasingly expensive pool of labour. To avoid this the companies are starting to increase the size of the pool by improving the skills of their existing workforce.

The money on offer this year is, in itself, unremarkable. Most of the companies will settle with their manual and craft workers for around 9 per cent. The more interesting feature of many of the deals is a commitment by unions to discuss training, certification, regrading and more flexible ways of working.

The French have helped to lead the way: 12 out of the 29 privately-run companies that were already in existence before last year's flotation have been purchased by French concerns. Their tradition is for a higher level of training, fewer unskilled workers and less job demarcation. The French have reinforced the message that training is important in overcoming skill shortages and inflationary wage spirals.

The learning will be mutual. While Britain has privatised water, other European countries have retained public ownership and brought in private contractors under licence. Which system is more efficient will depend, in part, on the longer-term gains to be had from this year's pay negotiations.

The UK water industry has other domestic as well as wider European experience to draw on: it benefits from not being among the first to privatise.

Mr Chris Trinder, senior research fellow at the Public Finance Foundation, the research arm of the Chartered Institute of Public Finance and Accountancy, has been tracking this year's water negotiations and is in a good position to make comparisons between sectors. He points to gas, for example, as a sector that is still struggling and from which water can draw lessons.

"The unions put all their energies into trying to stop gas being privatised. They lost a lot of their clout in the process. What we've got in gas is a major review of the pay structure now taking place. Three years after privatisation they are still trying to get the flexibility that water is already achieving," he says.

Electricity, in turn, has the opportunity to learn from both gas and water. According to Mr Trinder: "The unions have accepted that there is nothing they can do to stop the privatisation of electricity. They are getting much more involved in trying to get things in place from the start."

However, there could be conflict ahead in the electricity industry if there is an attempt by the employers – as seems likely – to end national bargaining. The unions, in particular the Engineers' and Managers' Association, have already expressed strong opposition to decentralised pay bargaining.

Abandoning a national pay framework post-privatisation is not automatically the best course, Mr Trinder points out. "Electricity is not being broken up as much as had been originally thought. It may be that a skeleton national framework avoids some duplication of costs," he says.

While training, certification and regrading are principally about meeting skills shortages and avoiding escalating labour costs, there is also another aim: further reductions in staffing levels.

The emphasis has always had to be on reliability and purity of supply: two machines were there to do the same job just in case one broke down. Much the same view was taken of staffing, and jobs were more defined by the need for reliability than efficiency.

Things became less comfortable in the 1980s and government pressure on the water authorities led to a 20 per cent reduction in manpower over a six or seven-year period. These cuts were achieved in a reasonably amiable environment (the notable exception being the strike in 1983) but it is not quite so easy to see how the next tranche of economies can be achieved without an end to some existing demarcations. Hence the emphasis in this year's talks on teamworking, multi-skilling, self-supervision and other flexibility measures.

Lotus near to limit on growth as car maker

By John Griffiths

GROUP LOTUS, the sports car maker and engineering consultancy taken over by General Motors four years ago, is reaching its growth limits in the UK.

Any further expansion will come mainly from consultancy engineering centres being set up in overseas markets where there is demand for Lotus's expertise, according to Mr Michael Kimberley, chief executive at Group Lotus.

As the company prepared to start deliveries of its new Elan sports car, Mr Kimberley ruled out any increase in car output beyond the 5,000-a-year level envisaged for the early 1990s.

The engineering consultancy business that shares Lotus's car production site at Hethel, Norfolk, has also arrived at "critical mass," Mr Kimberley said.

Lotus employs 680 people producing the Esprit and Excel luxury sports cars at a rate of just over 1,000 a year, and is preparing to start commercial production of the Elan at an eventual rate of 3,000 a year.

The assembly workforce will have grown by 150 by the time a new Lotus "supercar," the M300, is added to the range around 1993. In a separate, purpose-built facility on the site, a further 47 people are preparing for production of a 170mph-plus version of GM's Opel Omega/Vauxhall Carlton executive car. Production is due to start in June at 400 a year. It was designed and developed with Opel's Technical Design Centre.

Mr Kimberley was adamant that Elan production would not be expanded beyond 3,000 a year, even though Lotus is already being criticised for seriously underestimating potential worldwide demand for the model.

Some 4,800 orders have been placed for the car, although dealers have only received cars for use as demonstrators so far. Production is running weeks late because Lotus is fine-tuning quality standards from outside component suppliers before starting deliveries.

Lotus's ideal is to derive engineering revenue from Europe, North America and the Far East equally, Mr Kimberley said. However, having recently returned from Tokyo, he warned that the Japanese were setting a product development pace that western industry would find increasingly difficult to match.

Western governments, financial institutions and motor industries needed to adopt the same long-term, co-operative strategies as the Japanese to ensure their survival, he said.

Inflation likely to stay higher than Government hopes

By Andrew Marshall, Economics Staff

INFLATION is unlikely to come down as rapidly as the Government hopes, according to the latest Financial Times survey of forecasts for the UK economy, and as a result interest rates will stay high until the end of the year.

Expectations of high interest rates have increased as projections for inflation have been raised after the Budget last month, the survey shows.

The survey, which averages projections by 22 City institutions, private-sector forecasters and intergovernmental bodies, indicates that economists believe inflation will be 7.7 per cent at the end of the fourth quarter, whereas the Treasury is projecting 7.25 per cent.

However, short-term interest rates for the end of the year are forecast at 14 per cent - only 1.25 percentage points below where they stand now. That implies that the government can afford perhaps one base rate cut by the end of the year.

Forecasters expect greater expansion in both manufacturing output and consumer spending in 1990 than does the Treasury, and consequently they see GDP expanding at 1.4 per cent, against the Government's expectation of 1.0 per cent. Fixed investment is expected to shrink as companies scale down their plans under pressure from high interest rates, falling profit margins and weakening sales.

None of the forecasters predicts recession, although the Henley Centre and BZW predict growth at or below half a per cent. Lloyds Bank has the gloomiest forecast for inflation, at 9 per cent by the end of the year, but six other forecasters expect the RPI to be over 8 per cent.

Exports are forecast to grow at over 8 per cent, giving the economy a boost at a time of weakening domestic demand. The Treasury's forecast of a current-account deficit of £15bn for the year is seen as slightly pessimistic, with most forecasters expecting the outurn to be less. That is principally because import volume is expected to grow by only 0.8 per cent, against the government forecast of 1.25 per cent.

Forecasts for the public-sector debt repayment are the most erratic, although they average at a figure close to the Government's projection of £7bn. The PSDR is the difference between two large numbers, and hence there is a great deal of room for slippage. Three forecasters predict a return to a balanced budget in 1991-92, with a PSDR of zero, while three forecasters see a PSDR of £10bn or more.

The change from January's survey of forecasts is quite marked. The average forecast for inflation has risen by about 2 percentage points, and the forecast for the end-of-year short-term interest rate has risen by 1 percentage point.

Although the overall forecast for growth has not changed, its components have. Consumer spending is seen as slightly higher than it was earlier in the year; but expectations for fixed investment have fallen by over 1 percentage point, slipping to negative, largely because of higher projections for interest rates.

Exports are still expected to save the day, with volume growth in exports up slightly from the January survey. Predictions of import volumes have fallen by over half a percentage point.

For 1991, the forecasts are slightly more optimistic than in the last survey, although the City's forecast of GDP growth has fallen slightly.

Expectations of consumer spending and manufacturing output are up, although fixed investment is seen as growing more slowly than had been previously thought. Interest rates are expected to remain 1 percentage point higher for 1991, staying high even when inflation falls to 4.5 per cent.

On the whole, there is very little difference between the averages of all forecasters and the City forecasts.

The forecasts are similar to a comparison of independent forecasts made by the Treasury. The main difference is the pessimism over inflation, which does not come through on the Treasury's version of independent forecasts. That is largely because the inflation bears on the FT's forecast are not on the Treasury's list. The FT also includes some more up-to-date forecasts.

As far as 1989's efforts are concerned, the rapid deterioration in the economic situation last year took many forecasters by surprise, not just the Treasury.

Although the FT's post-budget average forecast for growth of a year ago was about right, at 2.5 per cent (the outturn was 2.25), the other forecasts were off target. Retail price inflation reached 7.5 per cent, (forecast at 5.7), the current-account deficit was £21bn (£15.4bn) and the PSBR for 1989-90 was £8bn (£15.3bn). Worst of all, short-term interest rates ended the year at 15.1 per cent; the FT average forecast was 11.9 per cent, and the highest was 13.2 per cent.

The usual health warnings apply to the forecasts; moreover, the averages are slightly distorted by out-of-date forecasts from the European Community and the Organisation for Economic Co-operation and Development. The averages are unweighted, and no allowance has been made for different definitions of variables.

FORECASTS FOR THE UK ECONOMY

(Unemployment, average over period. Balance of payments and PSBR in £bn; PSBR for financial years 1990-91 and 1991-92. Interest rates fourth quarter. Retail price inflation; year to fourth quarter. Others are percentage change over 12 months. Dash indicates information not available)

		Gross Domestic Product		Consumer spending		Manufac-turing output		Fixed investment		Retail price inflation		Unemploy-ment Millions		Balance of payments current account		Public Sector Borrowing Requirement		Interest rates (3 month interbank)		Exports volume		Imports volume	
	Date	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990-91	1991-92	1990	1991	1990	1991	1990	1991
Treasury	Mar	1.0	1.5	1.25	1.0	0.0	0.75	-1.25	-0.75	7.25	5	-	-	-15	-12	7	3	-	-	8.5	-	1.25	-
Confederation of Industry	Apr	1.0	1.8	1.3	2.0	0.6	2.2	-1.3	1.5	7.5	4.5	1.6	1.65	-14.8	-16.1	-7.7	-5.4	14.5	12.0	7.5	3.8	1.4	4.1
DRI Europe	Apr	1.3	2.7	0.9	2.4	1.7	4.5	-5.0	-0.1	7.8	4.4	1.7	1.3	-14.1	-10.3	-5.9	-1.2	14.3	10.9	8.1	5.1	-1.1	3.4
Henley Centre	Apr	0.4	2.8	1.0	2.8	0.8	2.7	-2.8	1.2	8.0	5.0	1.6	1.7	-13.2	-14.6	-7.3	-9.8	15.0	11.5	6.9	4.3	0.5	4.3
Ernst & Young ITEM Club	Mar	1.2	2.8	0.9	1.3	0.4	3.3	-0.7	1.5	7.8	4.5	1.7	1.7	-14.3	-10.3	-8.2	-5.0	14.0	11.0	6.3	5.8	-0.2	3.1
Liverpool University	Apr	1.5	2.8	1.0	0.8	—	—	—	—	8.1	4.8	1.7	1.5	-12.9	-7.3	-11.6	-11.7	13.9	11.6	—	—	—	—
London Business School	Mar	0.9	2.3	0.8	1.1	1.8	2.7	0.9	3.7	8.2	4.9	1.7	1.8	-14	-13	-7.3	-4.1	14.0	12	9.7	3.5	1.1	2.7
Oxford Economic Forecasting	Apr	1.6	2.2	1.6	2.1	0.8	2.4	-2.5	1.8	7.5	4.9	1.6	1.6	-15.3	-9.7	-7.2	-4.0	14.0	10.5	8.2	6.0	0.7	5.0
National Institute	Feb	1.4	2.3	1.7	2.0	-2.0	0.9	-2.8	3.9	6.8	4.6	1.6	1.7	-11.4	-10.9	-7.6	-11.9	12.4	10.4	9.5	6.0	0.3	5.6
OECD	Dec	1.3	1.9	1.4	1.8	1.3	1.9	2.0	2.1	6.5	5.2	—	—	-19.0	-18.5	—	—	14.5	13.4	6.0	6.3	3.6	4.2
European Commission	Oct	2.1	—	2.1	—	3.7	—	1.7	—	5.5	—	1.8	—	-17.9	—	-13.1	—	12.0	—	7.1	—	2.0	—
Barclays de Zoete Wedd	Apr	0.5	2.5	1.0	2.5	0.0	3.0	-3.0	0.0	7.5	3.5	1.7	2.0	-11.0	-7.0	-7.5	0.0	12.0	10.0	8.5	6.0	-1.0	4.0
Credit Suisse First Boston	Apr	2.2	2.5	2.0	2.0	1.5	3.0	-2.6	-2.0	7.9	6.6	1.6	1.7	-15.0	-10	-8.0	-10	15.0	13.0	7.7	5.5	-0.7	2.0
Goldman Sachs	Apr	1.0	1.8	1.3	2.0	0.4	3.3	3.5	-5.6	6.9	4.0	1.6	1.7	-11.3	-15.4	-6.0	-3.0	13.5	11.0	9.4	6.5	0.9	6.4
Greenwell Montagu	Apr	2.1	3.4	1.4	2.5	1.5	4.0	0.2	0.9	8.6	4.7	1.7	1.7	-13.0	-12.0	-8.0	-3.0	14.0	11.0	10.2	8.2	2.0	3.9
Hoare Govett	Apr	1.0	2.5	1.8	2.5	2.0	4.0	-2.5	0.1	8.5	3.6	1.7	1.8	-14.4	-12.6	-6.5	-7.0	13.0	10.0	9.5	7.4	4.6	6.5
James Capel	Apr	0.7	2.0	0.9	1.2	0.2	1.6	-3.4	-0.2	8.6	4.6	1.7	1.9	-15.7	-11.5	-7.0	-7.0	15.0	11.5	8.5	6.2	-0.7	3.7
Lloyds Bank	Apr	1.3	2.0	1.5	1.9	0.6	3.0	-1.6	2.8	9.0	5.0	1.7	1.8	-15.0	-12.2	-7.0	-6.0	14.0	11.0	7.2	5.3	2.3	4.1
Morgan Grenfell	Apr	2.4	2.8	3.0	2.8	1.4	2.4	0.0	2.1	7.5	5.5	1.6	1.6	-16.0	-14.2	-4.7	-9.5	15.3	12.0	6.3	5.4	0.0	4.1
National Westminster	Apr	0.9	2.9	1.5	2.6	1.5	4.2	-1.5	2.0	7.6	4.0	1.9	2.0	-15.0	-11.5	-7.0	0.0	13.0	10.5	6.3	5.0	0.5	3.5
Phillips & Drew	Apr	0.9	1.9	1.1	1.1	-1.0	1.1	-4.7	0.4	6.5	2.4	1.8	2.2	-11.0	-5.9	-4.7	0.0	14.0	10.0	10.0	6.4	-1.6	2.9
Shearson Lehman Hutton	Apr	2.0	2.4	1.7	2.1	1.0	2.6	-1.3	1.6	8.0	5.7	1.7	1.6	-14.0	-12.0	-4.0	-1.0	15.0	13.0	9.4	5.7	1.7	4.0
Warburg Securities	Apr	2.0	2.3	1.6	2.3	1.5	2.5	0.7	0.5	7.2	4.5	1.7	1.7	-16.0	-12.5	-7.0	-5.0	14.0	10.0	7.8	4.2	1.5	3.8
FT average	-	1.4	2.4	1.4	2.1	0.9	2.8	-1.3	0.5	7.5	4.6	1.7	1.7	-14.3	-11.7	-7.3	-5.2	13.9	11.3	8.1	5.5	0.8	4.1
Average of City forecast	-	1.4	2.4	1.6	2.1	0.9	2.9	-1.4	0.2	7.7	4.5	1.7	1.6	-14.0	-11.4	-6.5	-4.3	14.0	11.1	8.4	5.6	0.8	4.1

NOTES: Treasury: 1991 forecasts based on first half, RPI is Q2 on Q2. GDP: Treasury, compromise measure. DRI, Liverpool, LBS, National Institute use output measure. Others use average measure. Consumer spending: Liverpool, non-durable consumption. Retail price inflation: Liverpool, av for year; OECD, average consumer prices. Interest Rates: Liverpool, Treasury bill average for year. CBI, DRI, LBS, Lloyds, NatWest, Hoare Govett use base rates. National Institute, Treasury bill Henley uses PSBr on calendar year.

Employment study finds switch to service sector

By Iain Hamilton Fazey, Northern Correspondent

A SHIFT from manufacturing to the service sector is shown in a jobs study of Yorkshire and Humberside for the six years to 1987.

The study, by Leeds University's School of Geography and the Yorkshire and Humberside Development Association, found a "terrific" decline in male full-time jobs and a "considerable" increase in female part-time jobs.

More than 62 per cent of jobs were in services in 1987, compared with only 55 per cent in 1981, the study found.

Over the six years, nearly 97,000 jobs were lost in manufacturing but over 90,000 jobs were created in services.

In manufacturing, fewer than 2,700 jobs went in 1984-87, compared with more than 94,000 in the previous three years.

The study shows that male full-time employment was 898,000 by 1987, a fall of 12.4 per cent over six years. The number of women in part-time jobs rose by 12.6 per cent to more than 391,000.

Economic Development and Future Prospects; Yorkshire and Humberside Development Association, Wellington Street, Leeds; £15.

Crossed lines on a tariff for international calls

Hugo Dixon on the intricacies of world phone rates

SINCE the Financial Times disclosed this month that phone users were being massively overcharged for international calls by a cartel, British Telecom has been anxious to portray itself as a victim of the cartel rather than an active supporter of its practices.

Mr Iain Vallance, BT's chairman, has had an eye on influencing both the investigation of international prices being conducted by the Office of Telecommunications and the government review of telecommunications policy starting in November.

However, a confidential document written in 1987 – and obtained by the FT – knocks a hole in the case BT has been trying to make. As well as showing that BT's profit margins on international calls are nearly 60 per cent, the documents provide a wealth of information about the costs and profitability of international traffic, likely to apply to most other members of the cartel as well as BT.

BT's argument rests on two pillars: that its international prices are low by comparison with other countries and have been kept down by the arrival of Mercury Communications in the mid 1980s as a competitor; and that its hands are tied by the obscure accounting rate system used by the cartel to share international revenue.

Accounting rates are used to determine how much BT pays phone companies in foreign countries for delivering calls to their final destination.

The first argument put forward by BT is only partly correct. Although it has lower prices on intercontinental routes than most other phone companies, its own documents show that for calls in Europe its performance is only average.

More important, since the arrival of Mercury, BT's international prices have actually increased by an average of 17 per cent at a time when costs were plummeting.

The explanation for that perverse movement in prices is that BT decided that the best way of meeting the threat from Mercury was not to launch a price war – which would have hurt both of them – but to create an "umbrella" under which Mercury could safely set its rates. BT calculated that, so long as Mercury could say it was cheaper than BT, it would not want to undercut it any more because Mercury was even more reliant than BT on profits from its international services.

That approach was remarkably successful, as shown by the the experience of pricing phone calls to Italy. Shortly before BT was planning to put up its prices to Italy by 15 per cent in 1987, it heard that Mercury had just received permission from the Italian monopoly to operate a service between the two countries.

Some BT executives argued that it would be foolish to put up prices at such a time because they would then be severely undercut by Mercury. Cooler heads argued that BT should press ahead with the price rise and that Mercury would set its rates by comparison with BT's new prices. They were proved right.

BT did not need to speak to Mercury to co-ordinate charges. All that was needed was to signal to Mercury that it did not want a price war.

BT's argument that its hands are tied by the accounting rate system is also only partly true, although the company has used the argument to great effect in discussions with Oftel, its regulator.

On some routes, artificially high accounting rates do prevent BT from cutting prices because foreign phone companies would reap all the benefits from such a move. However, on many routes prices are still high in spite of fairly low accounting rates.

BT does not face the same difficulty as American Telephone & Telegraph, the largest US telephone group, which pays out $2bn (£1.2bn) a year more than it receives under the accounting rate system. Its payments of £459m are only £34m more than its receipts.

Moreover, while AT&T pays out to foreign operators an average of 75 per cent of the sum it collects from its customers for international calls, BT pays out only 57 per cent. The picture varies from country to country.

BIGGEST SUPPLY COUNTRIES*	£m
W Germany	5.6
US	5.0
Nigeria	2.5
Norway	2.4

BIGGEST DEFICIT COUNTRIES†	£m
Pakistan	9.6
Japan	5.7
Israel	4.6
India	3.2
France	3.2
Egypt	2.6
S Arabia	2.4

BT's financial arrangements with foreign telephone companies: projected net payments 1987-88

**BT receives more than it pays out*

†BT pays out more than it receives

Iain Vallance: an eye on influencing two inquiries

Tory ministers vow to reverse drift to Labour

By Ralph Atkins

GOVERNMENT ministers will go on the offensive this week in an effort to break Labour's commanding lead in the opinion polls as the local council election campaign enters its last full week.

Labour, which this week is considering proposals for overhauling its policymaking procedures, has a lead of 22 percentage points over the Tories, according to yesterday's Harris opinion poll in the Observer.

Senior Conservatives will emphasise the party's theme that a Tory council costs voters less, in spite of predictions that disquiet about the community charge, or poll tax, will cost the party widespread losses on May 3.

At the weekend, Mrs Margaret Thatcher sought to bolster party morale, telling Conservative trade unionists: "We are winning through because the policies we are sticking to are right."

Mr Kenneth Baker, Conservative Party chairman, predicted that the next general election would be "the toughest we've ever fought."

Mr Baker will take the party's campaign to the London Docklands this week, while Mr David Hunt, an environment minister, goes to Preston. The party is tackling criticism of the poll tax head-on, claiming that the best way of bringing the charges down is by voting Conservative.

Labour's campaign themes for this week are expected to focus on education and housing as well as the poll tax. Mr Neil Kinnock, leader of the Opposition, visits the West Midlands at the end of the week. Mr Gordon Brown, the shadow Trade Minister, will be in Bradford today.

Labour's National Executive Committee will this week consider proposals for reforming its policymaking procedures.

Mr Kinnock is supporting plans to set up an elected national policy forum, which would consider policy papers before they are submitted to the party conference. The scheme will be considered alongside proposals for reducing the role of unions' votes within the Labour Party.

The plan is described by Labour officials as the "most radical since the party was formed." It aims to make policymaking more "considerate and deliberate," they said.

It would replace the present system under which amendments and resolutions are composed on the eve of the annual party conference, leading to horse trading and bureaucratic confusion.

The proposals would also see the setting up of "standing commissions," modelled on the system used for Labour's latest policy review. Such groups, studying particular areas of policy, would include members of the National Policy Forum besides other party members.


David Hunt (left): goes north: Kenneth Baker: to East End

Thatcher in the slow lane of a two-speed Europe

Philip Stephens on a Prime Minister at odds with Community partners on the pace of economic reform

THE unwelcome guest has returned to an already gloomy feast. As Mrs Margaret Thatcher battles at home with the most significant threat to her authority since 1979, France and Germany have put Europe back at the top of Britain's political agenda.

Last week's Franco-German statement calling for the completion of European economic and monetary union by January 1993 and for parallel talks among the 12 European Community states on political union was not unexpected.

Mrs Thatcher and Mr Douglas Hurd, the Foreign Secretary, have been involved in intense discussions for some weeks on how the Government should react to such an initiative. Contingency plans are well advanced but the proposals were no less unwelcome for that.

Senior ministers believe that the proposals will confront the Prime Minister with some of the most difficult choices she has faced during 11 years of frequently stormy relations with her counterparts in Europe.

In the process, the move threatens to reopen the divisions within the Cabinet and the Conservative Party that proved so damaging last year – even if Britain enhances its European credentials by taking sterling into the exchange rate mechanism of the European Monetary System.

The dilemma comes at a time when Mrs Thatcher's hand could hardly be weaker. Lagging Mr Neil Kinnock, the Labour leader, by more than 20 points in the opinion polls and facing further domestic rows over inflation, mortgage rates and the poll tax, she has to carry her supporters with her.

If she does not, Mr Michael Heseltine will seize the opportunity to strengthen his claim to the leadership by emphasising his own, more "European" credentials.

None of that is to suggest that the Prime Minister faces a majority, either within her own party or in the House of Commons, eager to embrace the vision of Chancellor Helmut Kohl of West Germany and President Francois Mitterrand of France.


Leading Europe was Mrs Thatcher's Euro-elections message – but it is not following

European political union, only vaguely defined in the Franco-German statement, is not a phrase that prompts cheers from most Tory – or, for that matter, Labour – MPs, even from those who see Mrs Thatcher's approach as obstructionist.

The Foreign Office, although viewed from Downing Street as a incorrigibly careless defender of British sovereignty, is also talking of the need for Brussels to confront present realities rather than lose itself in grand rhetoric.

The strategy being urged on the Prime Minister by Mr Hurd is characteristically pragmatic.

Mrs Thatcher may consider a headlong rush into discussions on European political union as unpalatable, even dangerous. Mr Hurd shares her view – and will underline it in a speech in Paris tomorrow – that there are many more pressing issues that should be preoccupying EC governments. They include: managing German unification within Nato; ensuring that the US maintains its military umbrella in Europe; and shaping links with the new Eastern European democracies.

However, Mr Hurd is also among several senior ministers who believe that both the Government's narrow political interests and Britain's international standing cannot be served by "carping" from the sidelines.

The Franco-German statement has severely dented the hopes of those who believed that the strains placed by German unification on the traditional Paris-Bonn axis would allow Britain to forge a new strategic alliance with France.

So the present opposition to the principle of the Community embarking on a new round of discussions will be followed – once other leaders have taken the decision to go ahead anyway – by a range of British proposals.

Those proposals, embracing a number of institutional changes, will be finalised in time for the June summit in Dublin. Mrs Thatcher will give advance notice of her intentions at next weekend's meeting in the Irish capital.

The overall objective is similar to that agreed rather belatedly towards economic and monetary union, where Britain has tabled its own alternative to the proposals for integration contained in the Delors report.

Mr Hurd's hope is that by pushing Britain's view at an earlier stage in the discussions on political union, the Government will maximise its influence over the agenda in a way that it has so far failed on the Delors proposals.

Mrs Thatcher has apparently agreed. Those close to her were yesterday speaking of her determination to take a lead in any discussions by outlining a "constitutional approach" to the new Europe instead of the "centralist" strategy of others. The details have yet to be finalised, but a range of options are under consideration.

One of the crucial – and most positive – suggestions is that the European Parliament should be given more direct control over the Commission's spending proposals. Another, far more tricky proposal, is that the EC treaties should be amended to provide a much clearer line between national and community responsibilities – enshrining the so-called "subsidiarity" principle.

Such ideas – perhaps alongside others to strengthen the European Court – would be presented as a "modern" approach, designed to take account of the political reality of a wider Europe which has been created by the upheavals in the East.

The obstacle – as has emerged during the present studies on monetary union – is that however positive the packaging, Britain's approach falls far short of the ambitions, however ill defined, of its partners.

Senior ministers who share the Prime Minister's scepticism towards the Franco-German proposals and believe that the present rhetoric disguises significant differences even among the enthusiasts are none the less deeply concerned that Britain risks being left behind in a two-speed Europe.

As one commented yesterday, Mrs Thatcher's vision of a Europe of "proud sovereign states" is fundamentally at odds with the direction for the Community being signposted by her partners.

Computer TV channel will be announced by BSB

By Raymond Snoddy

EUROPE's first satellite TV channel devoted to news of the computer industry combined with specialised training programmes will be presented tomorrow.

The idea for the Computer Channel, aimed at computer and telecommunications companies all over Western Europe, was developed by the Business Television Corporation. The concept is now being purchased by BSB Datavision, the business communications subsidiary of British Satellite Broadcasting, the venture in which Pearson, owner of the Financial Times, has a significant stake.

From the end of June, the Computer Channel will begin broadcasting a weekly analysis programme on Thursday mornings with news and views from the computer industry all over the world. On Wednesdays, the channel will also broadcast specialist training programmes featuring experts on topics ranging from disaster recovery and computer security to networking and the future of integrated digital services.

The channel will be broadcast by the BSB satellite and will be carried on the movie channel before the films begin.

Mr Julian Costley, managing director of the Computer Channel and a former executive at Reuters news agency, said: "The channel's real potential is to let more people get more training in a totally practical way. Now everyone from Milan or Manchester can have a 'tutor' with them at their desk." The service, which will be launched live at the Which? Computer Show in Birmingham will use BSB reception equipment including squarials, the flat aerials.

For a basic £495 fee, which includes all equipment, subscribers will get the weekly analysis programme and at the same time have access to all five BSB TV channels.

The training programmes called Dossier, will be pay-by-view. Subscribers will be able to order individual programmes in advance for about £250. Only those who have ordered a programme will be able to receive it.

Subscribers will be encouraged to take such programmes and offer them to all staff needing them, building up a library of training material.

The programmes are being produced in association with the British Computer Association and joint television productions with the association are under evaluation. The editor of the Computer Channel is Mr Clive Couldwell, former editor of Which Computer?

NEWS IN BRIEF

Amstrad to launch phone kit

AMSTRAD, the UK electronics company, will tomorrow launch a combined telephone, facsimile and answering machine as part of its drive to return to financial health.

Mr Alan Sugar, Amstrad's chairman, said this year that he would introduce a new product every month to reverse the drop in his company's profits. Pre-tax profits fell by more than half to £76.6m last year.

The new machine will sell for £699. The company is also introducing a £399 facsimile machine.

Doubt on Labour

ONLY one in three leading businessmen believes Labour is fit to run the economy, according to a poll in yesterday's Independent on Sunday.

Out of 75 executives surveyed, just 36 per cent agreed that Labour would be competent. When asked if Labour could be trusted to control inflation, 91 per cent said the party could not.

Service point

THE RANK Organisation has opened a £5.9m service station on the M4 motorway outside Cardiff.

The service station, undertaken in conjunction with Esso at junction 33, is the only one between Aust, on the English side of the Severn Bridge, and Sarn, outside Bridgend. It will create 100 full and part-time jobs. Rank is seeking planning permission for another service station on the M4 at Swansea, and a second on the A55 at Bangor in North Wales.

Export plea

THE Government was yesterday urged to boost exports by cutting VAT on pet food. British products would be prime contenders to dominate the European market if VAT were removed, the Pet Food Manufacturers' Association said.

Mr Peter Lilley, the Treasury Minister in Brussels yesterday to discuss VAT with his European Community counterparts, was urged by the association to "end tax discrimination against pet food." The association said the £2.4bn UK pet food market already accounted for 40 per cent of sales in the EC.

Tighter curbs sought on supply of reserves available to banks

By Rachel Johnson

THE BANK of England should curb its supply of liquidity to banks, which is fuelling inflation, the Institute for Economic Affairs said yesterday.

The IEA, an independent research trust, added that excessive lending to banks by the Bank was also contributing to credit growth and the rapid expansion of M0, the Treasury's chosen monetary indicator, which represents mainly notes and coins in circulation. Its report is published today.

Today's money supply figures for March are expected to show growth in credit outstripping the Treasury's target limits for expansion.

Professor Gordon Pepper, an economist with the IEA, said British monetary policy had failed in its primary purpose, which was to control inflation. Inflation has risen from 3.5 per cent in February 1988 to 8.1 per cent in March this year.

Prof Pepper said: "More inflation is in the pipeline . . . and interest rates have a weak and indirect effect on money growth."

A cut in interest rates would be ineffective because it would lead to a decline in sterling and raise inflationary pressures. Banks were unconcerned by the prospect of higher interest rates because of the potential for higher profits.

Remedial action therefore required changes of domestic techniques of monetary control. To curb rising inflation, the Bank of England must enter a "binding contract" with the Treasury and Parliament to control the unlimited supply of reserves available to the banking system, the report says.

Financial discipline was fundamental to the control of inflation. Stronger control of the money supply would imply a tight constraint on the rate of growth of the balance sheet of the banking sector.

Under the Pepper plan:

- The rate of growth of the Bank's balance sheet would be agreed with the Treasury, and reported to Parliament.
- Any big departures would be reported to the Government and the House of Commons Treasury select committee.

Money, Credit and Inflation, by Gordon Pepper, research monograph 44. IEA, 2 Lord North Street, London SW1 3LB. £6.95.

Observer, Page 22; Lombard, Page 23

Race law change is demanded

By Norma Cohen, Education Correspondent

THE COMMISSION For Racial Equality has asked the Education Secretary, Mr John MacGregor, to change the law so that white parents are not free to select their child's school on the basis of race.

The move comes after Mr MacGregor refused to overturn a decision by Cleveland County Council allowing a white parent to transfer her daughter from a school with a large Pakistani population to a school that is almost exclusively white.

The parent, Ms Jenny Carney, made clear that she was seeking the transfer on racial grounds.

Mr MacGregor's move appears to sanction efforts by white parents in other districts to remove their children from schools with large non-white populations. The CRE said it had asked Mr MacGregor to reconsider his decision.

Mr Jack Straw, Labour's Shadow Education Minister, criticised the decision as "retrogressive and wrong" and has demanded that Mr MacGregor should appear before Parliament today to explain his decision.

The CRE - a quasi-governmental body under the aegis of the Home Office - also said it might appeal to the High Court for a judicial review. The CRE had argued that in granting Ms Carney's request, Cleveland council violated the 1976 Race Relations Act.

However, the Department of Education and Science said Mr MacGregor had made his decision after receiving legal advice that the Education Act of 1980, which grants parents permission to choose their children's schools, supersedes the Race Relations Act.

The spokesman noted that had Ms Carney cited a different reason for the transfer, or had cited none at all, her request would have been speedily and quietly granted.

Allotment holders put paid to leisure complex

PLANS for a £15m leisure complex at Boldon, near Sunderland, Tyne & Wear, which would have created 700 jobs have been shelved because a dozen allotment holders on the proposed site have refused to be uprooted.

The complex would have included a 10-screen cinema, a bowling alley, two restaurants and a nightclub.

Growers on 25 allotments that fell within the site were offered new plots nearby, but a dozen refused to shift, so Labour-controlled South Tyneside council refused planning permission for the development. Mr Vincent Fitzpatrick, council leader, said: "The developers wanted to be in quickly, and the gardeners were concerned that the new sites be ready in time to get fertile for planting for the season.

"Because of these problems it was decided not to proceed with the scheme."

Mr Ken Charlton, a Tory councillor, said: "These jobs were being offered to us on a plate. To reject them out of hand is madness - an absolute scandal."

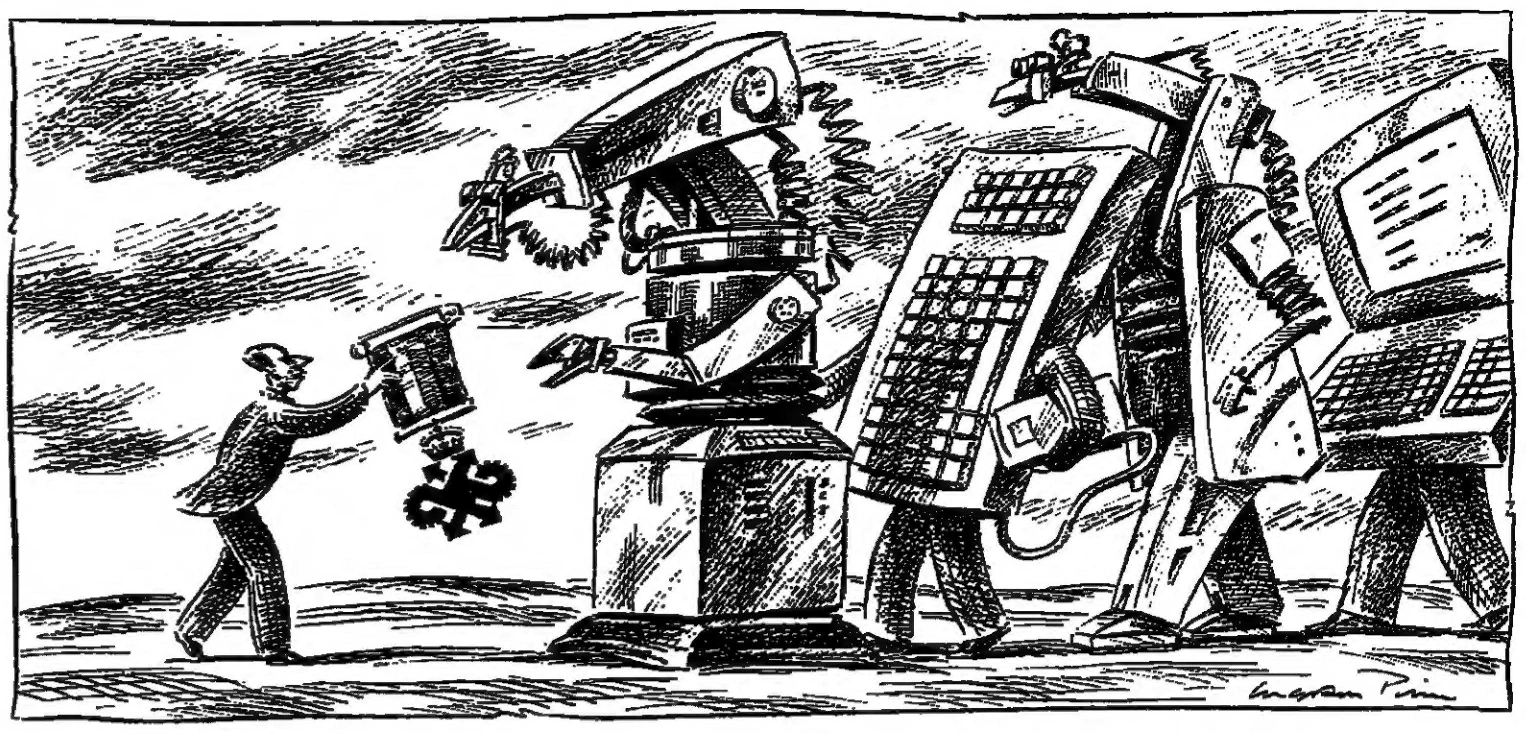
However, Mr John Gibson, chairman of the East View Allotment Holders Association, welcomed the news.

THE QUEEN'S AWARDS

For Export and Technology

Question marks over honours for industry

Alan Cane asks whether mere pats on the back encourage technological and managerial excellence



FORTY-NINE companies this week will be proudly planning to screw plaques to their office walls to mark their winning a Queen's Award for Technology. Will the plaques do any more than make the office wall look a little more impressive?

The awards are an attempt to provide some public recognition for business accomplishments which, for reasons more to do with education than culture, are held in disdain.

But the award system, which celebrates its silver jubilee this year, is showing signs of age. It is failing to keep pace with changes in the character of industry.

Leading British companies now regard themselves as simple exporters from a UK base. They are attempting to become international companies with plants abroad or alliances with foreign partners. Strong companies increasingly generate overseas earnings from their foreign operations, rather than by making products in the UK and shipping them abroad.

In the 1980s the British industrial base has become increasingly cosmopolitan as a result of sustained inward investment. In colour televisions and video recorders exports from Britain are entirely due to foreign-owned companies.

Are the export awards rewarding exports from Britain or British exports? Should the system reward companies for internationalising their production, competing in a range of markets rather than simply the value of their exports from the UK?

The same sort of questions can be asked about the technology awards. The standard of Britain's technological achievements can be measured by the output of scientists and engineers, the number of patents which British companies lodge or the amounts invested in research and development. The awards are not meant to reward this sort of pure endeavour, but the commercial aspects of developing technologies.

Increasingly a company's competitiveness does not rely on its pure technological excellence, but the quality of its management in harnessing technology to commercial ends. The awards office is clear that they are rewarding the ability to innovate and create profitable manufacturing opportunities. Yet, despite that the awards are still widely seen as rewarding clever inventions.

Far from making explicit the link between innovation, manufacturing and profitability, the awards perpetuate the idea that technology is a sort of magic pill which companies can take to cure poor performance. It sustains the idea that technology and management can be examined in isolation.

There were 1,355 entries, the eighth highest number since the competition began

So, far from correcting any British bias against the commercialisation of technology the awards may actually be compounding the isolation of technology.

So what impact do the technology awards have and could they be redesigned to be more effective?

It seems that companies do value the awards, because they keep on applying for them. This year, there were 1,355 entries, the eighth highest number since the competition was launched in 1965.

The largest number of entries, 1,860, was recorded in 1978, but over the years the figures have remained relatively constant. Just over 1,000 companies – or more correctly industrial units, for more than one division of a company can submit an entry – apply annually for an award, usually in an approximate ratio of three exporters to one technologist.

This year was well up to the mark with 969 entries in the export category with 126 winners and 386 in technology with 49 winners.

The Queen's Awards office this year carried out its own survey of past winners and failed to find a company which reported that achieving an award had done anything other than good.

Among those companies which will be collecting wall plaques are well known names such as the research laboratories of the Wellcome Foundation, for developing a manufacturing process for the drug Retrovir, which is becoming a rallying point in the battle against AIDS. For these companies with prestigious reputations a Queen's Award will be a welcome pat on the back. But it is unlikely to improve significantly their commercial prospecta.

However, there will also be a host of smaller companies which have a long way to go before they become household names, such as Gems of Cambridge, which developed a remarkable colour image processing system.

For these smaller companies, a Queen's Award is a distinction whose significance may go well beyond the statutory presentation ceremony and reception at Buckingham Palace. The awards provide them with national publicity and can become an important aspect of their marketing drive.

The official survey collected stories of companies whose businesses grew substantially, especially in their home market, in the wake of the blaze of publicity which follows an award.

The influence of the awards abroad as a form of advertisement for the UK and its industrial products is more questionable.

In the Middle East and Japan, for example, the awards may often be regarded as a stamp of government approval, as a guarantee of quality. In the United States, however, the awards are unlikely to have so much cachet.

There is no doubt that an award can do much for the morale of the staff in a winning company. This is important in a country such as the UK which sets little store by industry and whose heroes are drawn from the worlds of sport and entertainment rather than the boardroom.

This year the Queen's Award office will increase its marketing effort, with a roadshow to publicise the awards.

So the system has its merits as a marketing and morale-raising exercise. But does it really contribute to improving the quality of UK technology?

The immediate and depressing comparison is with the Malcolm Baldrige National Quality Awards, established three years ago in the US to honour the late commerce secretary in the Reagan administration, killed tragically in a rodeo accident.

US companies take the Baldrige awards seriously. Administered by the Commerce Department, they are funded to the tune of $600,000 each year drawn from the interest on a $10.4m fund created through donations from industry.

The impetus for the Baldrige awards was a concern, echoing the anxieties in the UK which led to the establishment of the Queen's Awards, that US industrial competitiveness was on the decline.

There are three categories of awards – for manufacturing industry, for service industry and for businesses with fewer than 500 employees.

No service company has yet won the award; the five winners to date are Motorola, the semiconductor company, Westinghouse Commercial Nuclear Fuels Division, Globe Metallurgical, Millikan & Company and Xerox Business Products and Systems.

Winning companies have to show all-round excellence in quality management judged by a variety of criteria including leadership, information and analysis, planning, human resources, quality assurance and customer satisfaction.

Award officials estimate that competing companies undergo between 300 and 400 hours of evaluation. One hundred thousand companies have applied for a prospectus this year. The winner's only reward is extensive publicity. Winning companies have to share the secrets of their quality management with all comers.

The criteria for the Baldrige awards are being seen as the model of quality management throughout US industry. Motorola, for example, has warned 3,000 suppliers that they risk being dropped if they fail to try to meet Baldrige standards.

In the UK the recently instituted National Training Awards are also intended to have more impact on business performance. The awards are accompanied by case studies of how companies have improved their training and an export report on the quality of training in British companies. The training awards are being seen as measures of quality in training which could be used as a standard for other companies. It is designed to be used as a tool to help raise the performance of other companies. It judges past performance but its aim is to improve future performance.

By comparison, the Queen's Awards and Design Council Awards seem only official and well deserved pats on the back. The UK has a deserved reputation for amateurism in management which it is trying to redress.

A more professional approach to the UK's industrial honours system might go a long way to recognising the kind of role models which could be used to establish national standards of management excellence. There would be far fewer winners; but the competition would undoubtedly improve the breed.

British managers have long been criticised for lacking the professionalism of their foreign counterparts. Much the same criticism could be made of the awards system. On balance it seems to reflect the character of British management – its strengths and weaknesses – rather than attempting to change it through establishing models of excellence.

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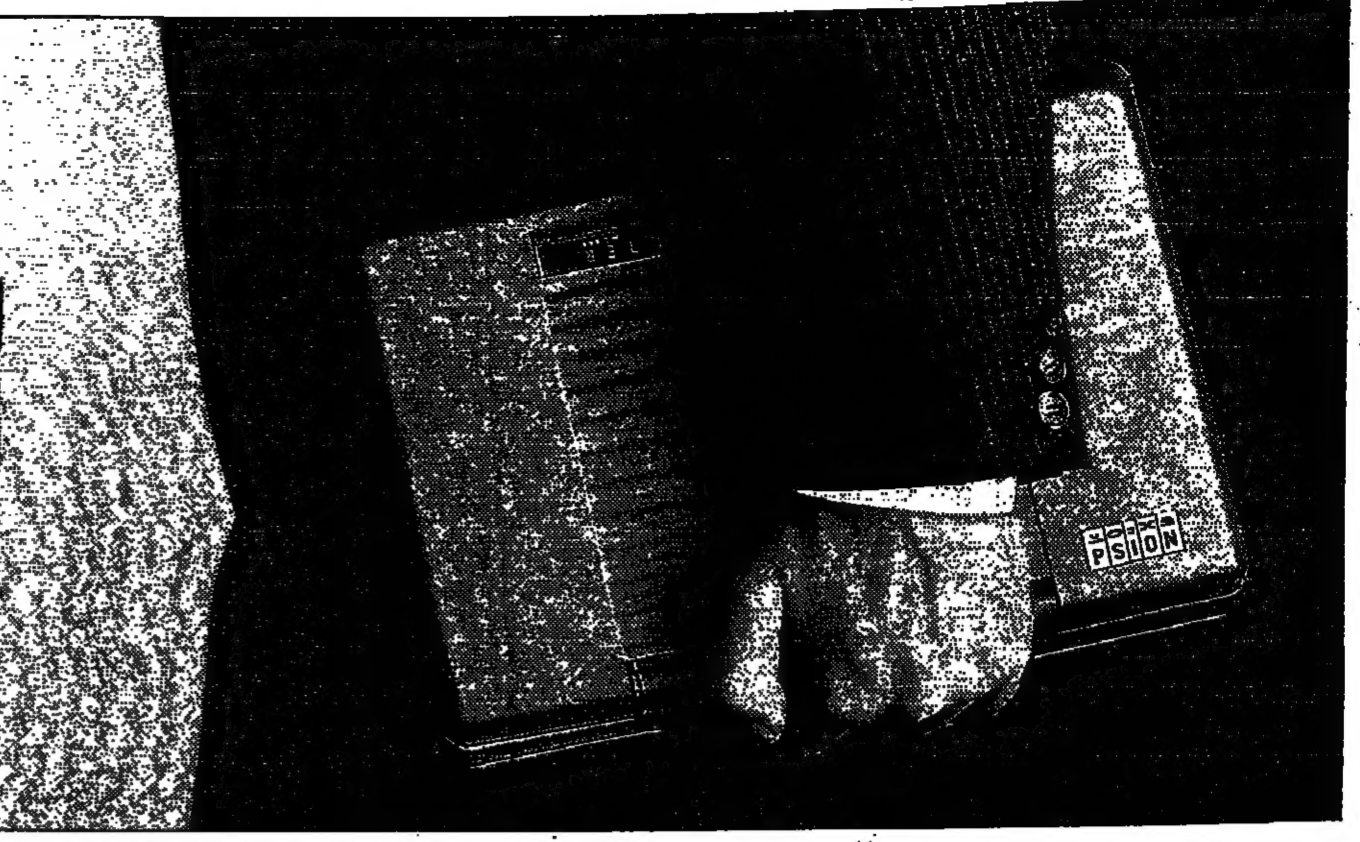

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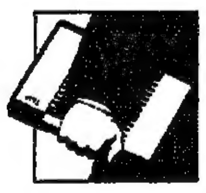

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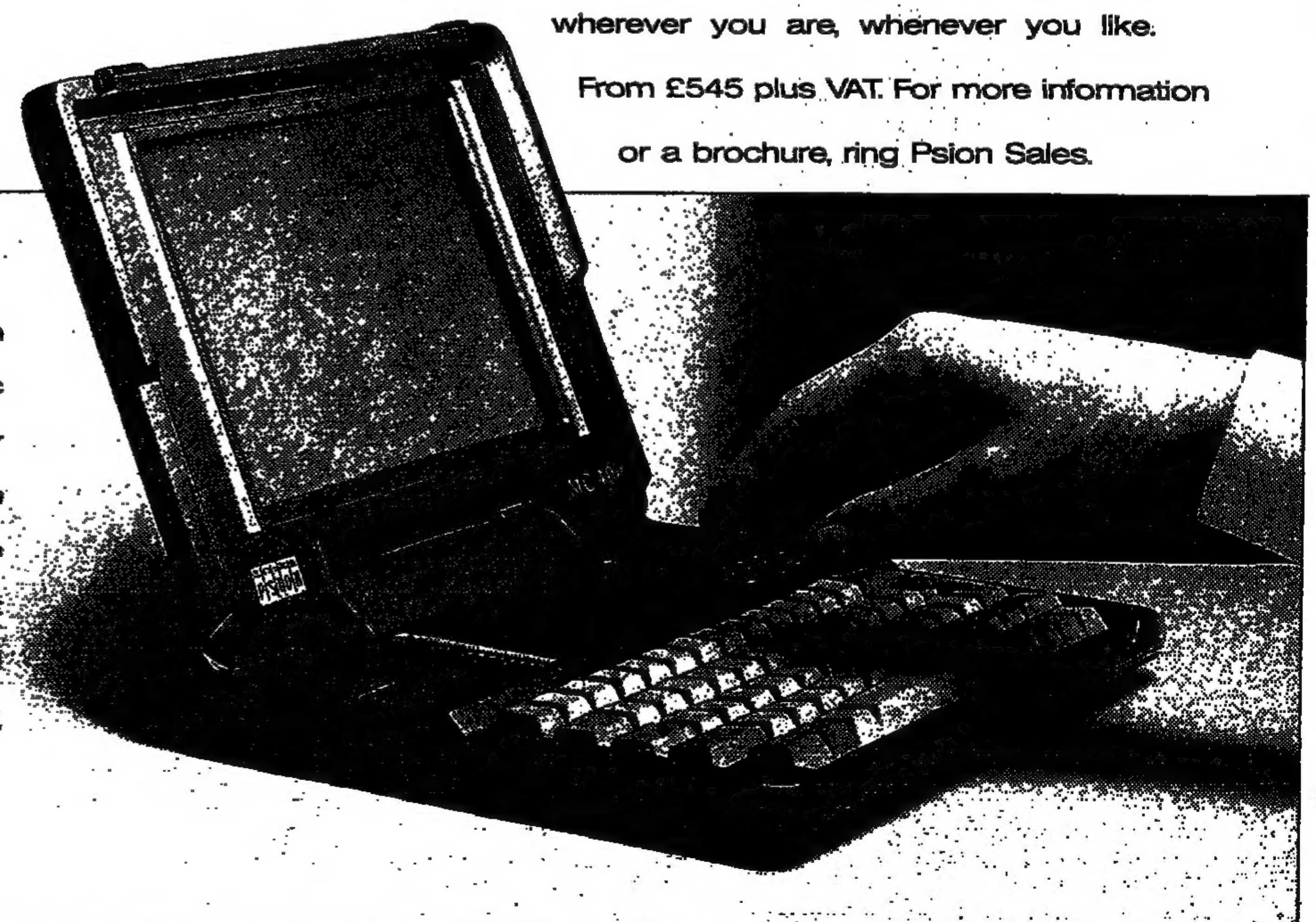

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Repeated success for original winners

John Authers assesses the 126 recipients of awards for export achievement

VENISON would not appear to be a promising growth industry, but burgeoning foreign demand has helped the Reediehill Deer Farm in Auchtermuchty, Fife, to win a Queen's Award for Export Achievement.

With only four staff, Reediehill is the smallest company to win an export award this year. The largest is Trusthouse Forte, which employs more than 20,000, and there is also an award for Glaxo, the pharmaceuticals company.

The criteria used ensure a wide variety in the type and size of companies. Forty-six per cent of the winners have a workforce of fewer than 100, and only 19 have more than 1,000 employees. Most of the winners are manufacturers.

The prize list has a *distinct* green tinge, with a number of environment-friendly companies, and awards went for the first time to lawyers and to insurers, although the financial services sector, which accounts for a large slice of export revenue, remains virtually unrepresented. It was noticeable, in the awards' silver jubilee year, that numerous winners were celebrating landmark anniversaries.

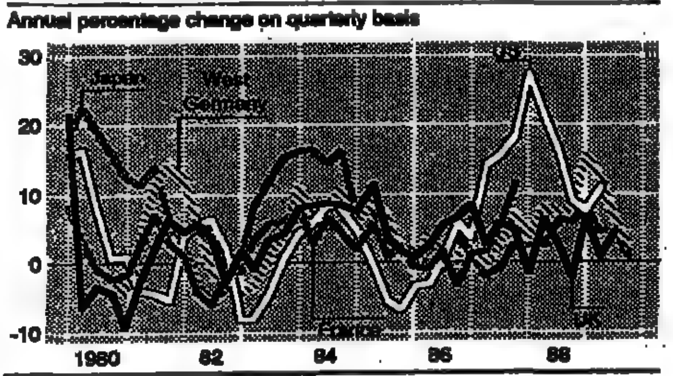
Seven winners of the first awards in 1966 repeated their success in 1990, although some had undergone changes in structure and name. As might be expected, ICI, GEC, Automotive Products and Land Rover, in various incarnations over the years, have all repeated their *success 25 years on.*

So has Rediffusion, which has increased in more than in name since it won an award as Redifon in 1966. The company is now the largest manufacturer of flight simulators in Europe, and claims 38 per cent of the available world market. Exports account for 69 per cent of annual turnover for the company, which has a workforce of about 3,000.

Smaller 1990 award-winners who were also successful in 1966 include Aquascutum, the quality clothing manufacturer which attributes its continued export success in large part to the French liking for *mode anglais*. Ethicon, a Scottish subsidiary of Johnson & Johnson, which has exported surgical sutures to more than 100 countries, including Outer Mongolia, completes the list of companies still winning 25 years on.

Export volume

Annual percentage change on quarterly basis



The number of applicants increased this year from 801 to 969, the highest since 1986. Interest in the awards among the business community is still well below the peak in the late 1970s, when applications were in four figures. The 126 awards conferred are a record, despite this trend.

The importance of foreign investment to the Welsh economy was shown by the awards for Japanese electronics giants Sharp, which makes video recorders, microwave ovens and compact disc players at Wrexham, and Sony, responsi*ble for the manufacture of col*our television sets at Bridgend. Twenty-seven export winners have foreign parents, including Minnesota Mining & Manufacturing and Kodak.

Three colleges won awards, following a precedent set by Reading University in 1989. The London School of Economics and Political Science, which at one time had a reputation for exporting revolution, won thanks to its success in attracting foreign students.

In 1948-49, only 588 foreign students attended the *LSE*, compared with 3,223 British students. Last year 2,269 foreigners took courses, almost accounting for half the student body. Its *old* boy network is stronger than most, and *includes 23 prime* ministers or presidents, and 41 governors of central banks. Imperial College of Science, Technology and Medicine, and the Oxford-based College of Petroleum Studies, which provides specialist courses to clients from more than 90 countries, also won.

Service industries remain under-represented, but the London lawyers Baker & McKenzie have taken an award for a legal partnership. The London office, which won the award, has 35 partners, but the practice has 478 partners in 50 offices worldwide.

Bakers specialises in international commercial law, and its London office benefits strategically from being between *Tokyo* and New York time zones. One of its biggest deals to date was the November 1987 takeover by Sony of CBS Records for $2bn. All CBS's licenses had to be legally investigated.

North America traditionally provides most foreign business, but Japan and the Far East have produced a number of clients since 1974, when an office was opened in Hong Kong. The legal complexities concerning the creation of the single European market in 1992 have also boosted business, and one department is devoted to European law.

Mr David Winter, who has been active with the firm in the Soviet Union for 25 years, has already won an OBE for his services to exports in Eastern Europe. The firm opened an office in Budapest in 1987, and started its Moscow office earlier this month. With a Czechoslovakian lawyer among *recent recruits to the London* office, prospects for expanding business still look good.

"Green" companies to win awards included History Craft, which makes giftware out of artificial elephant ivory. The company started by using its cold cast polyester technology to make the imitation brasses which allowed Brass Rubbing Centres to set up across Britain.

Now, exports account for 65 per cent of its annual £1.2m turnover, and the workforce has risen to 40. History Craft keep a small workshop on Harris in the Outer Hebrides, and employ numerous freelance artists in the Cotswold area.

The usefulness of reproduction ivory in restricting *demand for the real thing and* conserving the elephant is mentioned in History Craft publicity, but the emphasis is on quality craftsmanship. In the words of one employee, "We say what we can about the plight of the elephant, but we do not exploit it."

Body Shop, on the other hand, wears its environmentalist colours on its sleeve. The company announces prominently its refusal to use products tested on animals and regards its stance towards the environment as a key factor in its international appeal.

The company's exports are based on franchising, and all its products are sold in Body Shop premises. Franchisees are carefully vetted to ensure that they agree with the Body Shop ethos, and are expected to organise campaigns to help the environment and community in their areas.

Recent examples include a clean-up campaign on Antigua, where islanders were vociferously encouraged to remove litter. The government eventually joined in with the campaign. The New Zealand outlet has run a campaign to save the endangered Hector's dolphin, and the Dutch Body Shop is running a recycling campaign.

Exports accounted for 28 per cent of Body Shop's turnover in 1989, compared with 20 per cent in 1986. In this three-year period, exports increased by 521 per cent, and the company now has 103 franchisees worldwide.

Body Shop was not the only icon of the last decade to win an award in 1990. Serif Cowells, the British makers of Trivial Pursuit, won, ironically, at a point when demand for the game seemed to be petering out and profits were halved.

Psion, which makes the Psion organiser, an electronic equivalent of Filofax, also picked up an award. Like several other winners, Psion can claim to have done its bit for the wave of democratisation in Eastern Europe – Psion technology was used to count the votes in the recent Hungarian elections. The government used 450 of its products to cross-check discrepancies.

In the fast diversifying television industry, awards went to LWT, and to the pioneering independent production company Sunset + Vine. LWT's chief export products are reassuringly consistent in a transient medium – Upstairs, Downstairs brought in the greatest revenue from abroad, followed by The Professionals.

The quintessentially English Upstairs, Downstairs has now been dubbed into the local languages and broadcast in more than 100 countries, including Sri Lanka, Bahrain, and Zaire. More recent titles which might hope to match its record include The Charmer, Dempsey & Makepeace, and Wish Me Luck.

The US, where public broadcast systems are reliable customers, provides LWT's biggest market, and programmes also sell well in Australia, Japan, and the EC. Exports now account for 6.8 per cent of turnover.

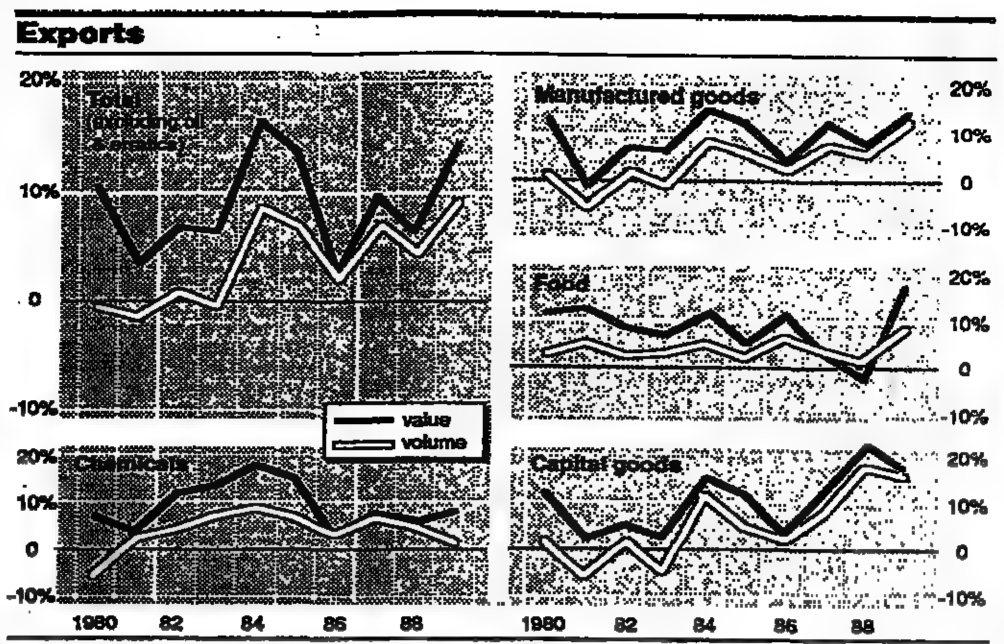
Sunset + Vine has made a speciality of televising large-scale outdoor events. Last week it worked as production associate on the satellite transmission of the Nelson Mandela concert to an estimated worldwide audience of 1bn and its sponsored sports programme Gillette World Sport Special, is viewed in 85 countries.

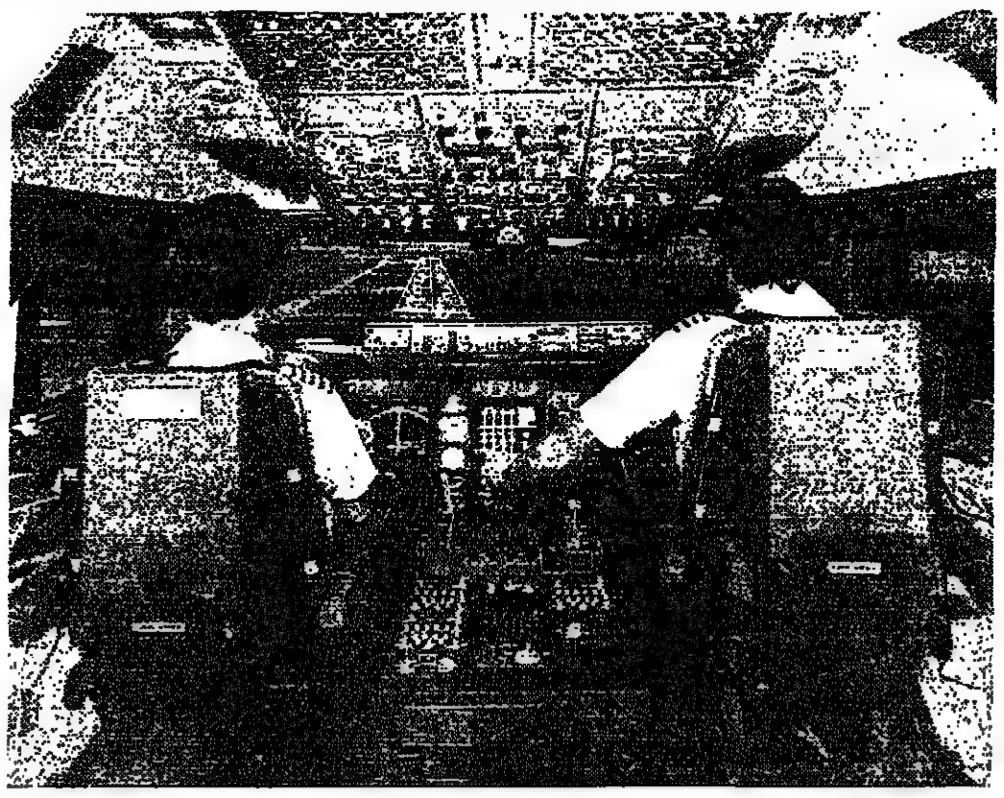
Another indication of growing leisure time around the world comes from the awards for three different exporters of Scotch. Subsidiaries of Seagram and Grand Metropolitan won, as did the independent family company of Douglas Laing. Japanese demand has been heavy for all three.

Mr Stewart Laing, a director of the company, said that presentation was the key to export success. Laings sell most of their exports through "duty free" outlets, and aim to make their products as appropriate as possible for gifts. For example, the McGibbons Special Golf range comes in ceramic flagons, in the shape of golf bags or golf drivers. Mr Laing said: "The Japanese like the taste of whisky and it has a certain snob appeal. They perceive it as an ideal gift in a gift-giving society." The increase in scope for the leisure industry which has come with the changing lifestyles of the 1980s may also explain the successes for two hotel chains, Hilton International UK and Trusthouse Forte.

Hilton International UK won for attracting foreign visitors to the UK. Overseas guests now account for more than 30 per cent of its total hotel earnings. North America is the biggest market with 43 per cent of visitors, while Continental Europe and Japan account for 22 per cent and 15 per cent respectively.

Exports





Rediffusion flight simulators land another award

A green hue brings benefits

Della Bradshaw analyses the awards for technological achievement

THESE days almost every industrial company takes the question of pollution and the environment seriously. But this year's Queen's Awards for Technology are dominated by companies who are now reaping the benefits of going "green" before their time.

They include a manufacturer of an energy-efficient diesel engine for cars, a chemical-maker which has invested in potions to clean up the water supply and a power station manufacturer which has reduced the pollutants spewed into the atmosphere during the energy-making process.

But a company which perhaps best demonstrates the technological trials and tribulations of "going green" is an aluminium reprocessing company from Nottingham, J McIntyre (Non Ferrous).

The company's tale goes back to the late 1970s when chairman Michael Pownall began the search for aluminium recycling equipment to replace the ageing gear already in use. Over a seven-year period he scoured the world, including Japan, where the most modern equipment was reputed to be found.

But none took his fancy, and so in 1984 he concluded that his only option was to build the plant himself.

Even then pollution was a prime concern for McIntyre, says Mr Pownall. "As early as 1984, when we started laying down the concept, we decided that the thing had to be environmentally friendly. That was at the top of our list."

To do that the company decided to design a recycling furnace that was sealed, and so reduced air pollution. To prevent any explosion wrecking the machine the doors had to be designed as ventilators, so that pressure was released.

But for a company that was used to buying in equipment, building a monster recycling plant – one machine now replaces 16 older production units – was not easy. Mr Pownallopted wherever possible to buy in component parts from established international suppliers, so that he could build the equipment himself on site. "We hadn't really the confidence to do everything ourselves the first time round. I wish now we had," he says.

However, even the first time round some equipment had to be specially made, The casing had to hammered out in a shipyard – it was the only place experienced in producing such enormous metal structures.

Mr Pownall says he was scared once this Frankenstein of a machine began to take shape, and says there were technical difficulties for the first 12 months while the company mastered how best to exploit the recycling equipment.

But the aim of the project, to build a machine that could recycle the most abused aluminium – covered in paint from soft drink cans, or plastics from discarded aluminium window frames – was achieved. And now McIntyre has set up a subsidiary company, Copermill, to sell its expertise.

These days it is the Japanese that are visiting the McIntyre plant. And Mr Pownall has sold equipment to some of the world's most prestigious aluminium recycling companies.

The largest number of "green" technology awards to be given to one sector are to the chemical industry. ICI scooped an award for a dye which turns polyester red by using only a fraction of the colouring normally needed. Its Electrochemical Technology Business has also been recognised for its process to produce chlorine without using mercury, so minimising environment risk.

But a less well-known chemical company, Allied Colloids, of Bradford, has also won two technolgoy awards for substances which help reduce environmental pollution.

The first is a chemical process used to prevent fibres and added chemicals from draining away with the water in commercial paper production. Allied Colloid's additive, a water-soluble polymer called Hydrocol, increases the amount of fibre and pigments held in the paper by sticking the particles together and making them bigger, so less likely to be washed through the filter mesh.

The second chemical is incorporated in a treatment which behaves in a similar manner, but is used to stick tiny particles of clay, slate or other materials together. The chemicals can therefore be used to clean up water supplies in mining or sewage works.

Another industry under pressure to ensure that its products emit fewer nasty chemicals or gases into the environment is the car industry. That is one reason why the Perkins Engine Group designed the Prima direct injection diesel engine which is now in use in Montego and Maestro cars.

The engine, which the manufacturers claim reduces fuel consumption by 40 per cent, works by burning the fuel and air mix in the cylinder, rather than the combustion chamber, as is done with the previous indirect injection systems.

The Clinical Reagents Division of Amersham International is also pointing to the "green" credentials of its development of an integrated set of medical instruments which diagnose disease using light instead of radio-activity. The central technology, enhanced chemical luminescence, as it is called, was developed by the Wolfson Research Laboratories at the University of Birmingham.

The Amerlite diagnostic system is particularly good at spotting hormonal imbalances in blood, and so can be used in fertility testing or diagnosing illnesses such as hepatitis or thyroid problems.

The good news is that eight out of the 49 technology awards have fashionable "green" credentials. But what is unnerving, in this era of glasnost, is the large grouping of defence contractors on the list. This is hardly surprising, because in 1987 more than 45 per cent of the UK government's research and development expenditure was in defence, according to the OECD – compared to 35 per cent in France and less than 10 per cent in West Germany.

Glass-maker Pilkington, for example, has won the award for a head-up display, as it is called, in fighter aircraft. The display is a sheet of glass suspended between the windscreen and the pilot, on to which information – such as how much fuel or how many bombs are left – is displayed.

The technique developed by Pilkington, which is in use with the US Air Force's Falcon fighters, uses holography to make the words or numbers seem bigger than they are. This means that more data can be squashed on to the screen and still read by the pilot.

Glasgow-based Yarrow Shipbuilders has won its award for the Type 23 frigate, and Dowty Maritime Ocean Systems for a thermal printer – similar to a facsimile machine – which is used mainly in defence applications. The printer can be linked to underwater sonar equipment to plot out the movements of submarines in anti-submarine warfare.

Lucas Aerospace, Smiths Industries Aerospace and Defence Systems and the combination of Rolls-Royce and the Propulsion Department of the Royal Aerospace Establishment have all made breakthroughs in aeroplane design – in the last case for reducing the noise of aircraft engines. The developments won each of them the Queen's Award for Technology.

Although technology is often equated with computers this is an area where many UK manufacturers are finding it increasingly hard to shine. Computer maker ICL, however, has won the award for its supermarket checkout system, which is familiar to many a Sainsbury shopper. And Gems, of Cambridge, has also been recognised for its high resolution image processing system, called Gemsys.

Two software companies, Micro Focus, of Newbury, and Mineral Industries Computing – which has written software for the mining industry – have also claimed awards.

One area of electronics where UK manufacturers continue to be among world leaders is optical systems, and that has been reflected in this year's awards. STC Submarine Systems and British Telecom's research laboratories are well-known for their developments in the field, but Lumonics, of Rugby has also won an award for its industrial lasers.

No industrial technology awards would be complete without a clutch of medical developments. Stealing the limelight this year is Chas A Blatchford, from Basingstoke, for the development of the Endolite artificial limb using carbon fibre composites. Amputees, says Blatchford's finance director Tony Rainbird, can lead a relatively active life if fitted with the artificial leg – some have even climbed mountains or mastered ice-skating. The company is now hoping to sell the artificial limb in the USSR, where, Mr Rainbird reports, there has been particular interest.

R&D performed in each sector according to source of finance, 1987 (£m)

Sectors providing the funds	Sectors carrying out the work: Government	Higher Education	Industry	Other	Total	Overseas
Government	1197.8	1072.5	1228.9	156.0	3655.2	227.6
Higher education		55.0			55.0	
Industry	153.4	73.5	4323.9	146.0	4696.8	
Overseas	34.0	38.4	784.2	8.0	864.6	
Other	40.6	100.1		40.0	180.7	
TOTAL	1425.8	1339.5	6337.0	350.0	9452.3	

Source: CSO, Cabinet Office

Source of funds for UK R & D

1987 total £9.45bn

Source: CSO, Cabinet Office

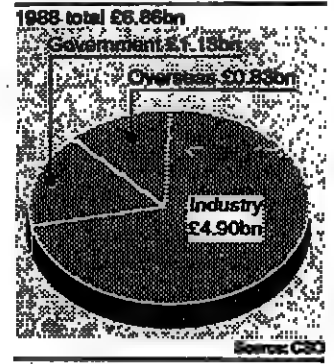
R&D expenditure relative to GDP, 1987

	R&D expenditure: Total R&D %	Business R&D %	Government-funded R&D: Total %	Defence %	Civil %
UK	2.5	1.5	1.1	0.5	0.6
France	2.3	1.4	1.4	0.5	0.9
West Germany	2.8	2.1	1.1	0.1	1.0
Italy	1.3	0.8	0.8	0.1	0.7
Japan	2.9	1.9	0.6	0.0	0.6
US	2.7	1.9	1.3	0.9	0.4

Source: OECD

Source of funds for industrial R & D

1988 total £6.86bn



Source: CSO

Source of funds for industrial R&D, 1978-88 (£m)

Funds for industry's R&D	1978	1981	1983	1985	1986	1987[1]	1988
Government funds	679.4	1137.2	1257.6	1175.5	1391.8	1229.1	1133.4
Overseas funds	185.2	331.3	283.2	569.0	727.0	784.2	829.7
Other, mainly own funds[2]	1459.7	2324.0	2622.5	3377.1	3831.9	4320.0	4897.7
Total	2324.3	3792.5	4163.3	5121.6	5950.7	6333.3	6860.8

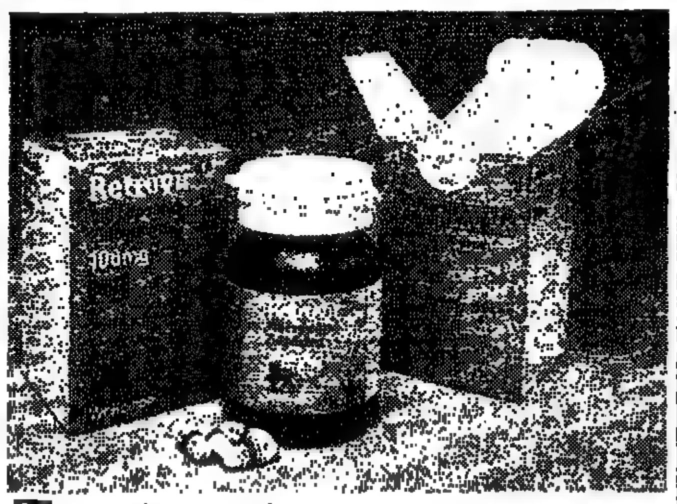
[1] Revised; [2] From 1986 the figures include the UKAEA

Source: CSO


TRINITRON
The Royal Box.
SONY

THE QUEEN'S AWARDS FOR TECHNOLOGICAL ACHIEVEMENT 1990

COMPANY	LOCATION	NAME OF PRODUCT OR DEVELOPMENT
A		
Allied Colloids – Paper Division	Bradford, West Yorkshire	High quality paper and board
Allied Colloids – Research Department	Bradford, West Yorkshire	Process for production of vynilamino esters
Amersham International – Clinical Reagents Division	Little Chalfont, Buckinghamshire	Amerlite laboratory diagnostic system (jointly with the Wolfson Research Laboratories of the Department of Clinical Medicine of the University of Birmingham)
Applied Materials – Implant Division	Horsham, West Sussex	Implantation equipment for semiconductor manufacture
Applied Video Systems	Chessington, Surrey	Conversion of TV signals between incompatible TV systems
B		
Bonas Machine	Gateshead, Tyne and Wear	High speed electronic jaquard for broadcloth weaving
British Telecom – Main Optical Networks Division	Ipswich, Suffolk	Optical receivers for undersea cable applications
Blatchford Sons, Chas A.	Basingstoke, Hampshire	Lightweight lower extremity artificial limbs
C		
Croda Application Chemicals	Goole, North Humberside	Dicrol CPS rolling oil
D		
Dowty Maritime Ocean Systems	Weymouth, Dorset	Thermal linescan recorders
E		
Elcometer Instruments	Droylsden, Manchester	Microprocessor for controlling thickness gauges
EM Electronics	Brockenhurst, Hampshire	Ultra low-level DC voltage measurement
Epichem	Wirral, Merseyside	Metal organic precursors for semiconductor materials (jointly with the Electronic Materials Division of The Royal Signals and Radar Establishment)
G		
Gems of Cambridge	Cambridge, Cambridgeshire	Gemsys image processing system
Glaxo Group Research	Greenford, Middlesex	Ceftazidime – an antibiotic
Glencast	Leven, Fife	The Replicast process of producing high-quality castings (jointly with Steel Castings Research and Trade Association)
GPT Telecommunications Systems Group (Switching Networks)	Liverpool, Merseyside	System X telecommunication switching system
Gullick Dobson – Technical Department	Wigan, Greater Manchester	Automated mine roof support system
I		
ICI Cellmark Diagnostics	Abingdon, Oxfordshire	DNA fingerprinting (jointly with the Lister Institute of Preventive Medicine)
ICI Chemicals & Polymers – Electrochemical Technology Business	Runcorn, Cheshire	Membrane electrolyser for large-scale production of chemicals
ICI Colours & Fine Chemicals	Blackley, Manchester	Benzodifuranone-based dyes
ICI Retail Systems	Bracknell, Berkshire	Point of sale checkout scanning system
INMOS – Product Development Division	Almondsbury, Bristol	Design of parallel microprocessors (jointly with Oxford University Computing Laboratory)
L		
Lister Institute of Preventive Medicine	Stanmore, Middlesex	DNA fingerprinting (jointly with ICI Cellmark Diagnostics)
Lucas Aerospace – Actuation Division	Wolverhampton, West Midlands	Geared rotary actuators for aircraft flap systems
Lumonics	Rugby, Warwickshire	JK 700 Series industrial laser system
M		
J. McIntyre (Non Ferrous)	Dunkirk, Nottingham	Energy-saving unit for recycling aluminium scrap and waste
Micro Focus Group	Newbury, Berks	COBOL/2 work bench
Mineral Industries Computing	London W1	Software for mineral deposit evaluation
N		
NEI International Combustion	Derby, Derbyshire	Low NOx combustion in power station boilers
NERC ICP-MS Facility	Egham, Surrey	Inductively coupled plasma mass spectrometry system (jointly with VG Elemental)
O		
Oxford University Computing Laboratory	Oxford, Oxfordshire	Design of parallel microprocessors (jointly with the Product Development Division of INMOS)
P		
Pearpoint	Bordon, Hampshire	Solid state mono and colour CCD cameras
Perkins Engines Group	Peterborough, Cambridgeshire	Prima direct injection high speed diesel engine for cars and vans
Philips Components Ltd Washington	Washington, Tyne and Wear	Advanced manufacturing techniques for TV deflection units
Pilkington PE	St Asaph, Clwyd	Production process for fabrication of holographic optical elements
R		
Renishaw Metrology	Wooton-under-Edge, Gloucestershire	Motorised probe heads incorporating patented kinematic location system
Rolls-Royce – Design Engineering Group	London, SW1	Aircraft engine noise reduction technology (jointly with the Propulsion Department of the Royal Aerospace Establishment)
Royal Aerospace Establishment – Propulsion department	Farnborough, Hampshire	Aircraft engine noise reduction technology (jointly with the the Design Engineering Group of Roll-Royce)
Royal Signals and Radar Establishment – Electronic Materials Division	Malvern, Worcestershire	Metal organic precursors for semiconductor materials (jointly with Epichem)
S		
Sericol Group	Broadstairs, Kent	Photo stencil emulsions for screen printing
Smiths Industries Aerospace and Defence Systems – Flight Deck Display Systems Unit of the Cheltenham Division	Cheltenham, Gloucestershire	Advanced light-emitting diode display systems for commercial jet aircraft
STC Submarine Systems	Greenwich, London, SE10	NL 420 mbit/s submarine cable systems
STC Technology	Harlow, Essex	Bipolar and complementary metal oxide semiconductor devices in the same integrated circuit
Steel Castings Research & Trade Association	Sheffield, South Yorkshire	The Replicast process for producing high-quality castings (jointly with Glencast)
U		
University of Birmingham – Wolfson Research Laboratories of the Department of Clinical Medicine	Birmingham, West Midlands	Amerlite laboratory diagnostic system (jointly with Clinical Reagents Division of Amersham International)
V		
VG Elemental	Winsford, Cheshire	Inductively coupled plasma mass spectrometry system (jointly with the NERC ICP-MS Facility)
W		
Wellcome Foundation – Wellcome Research Laboratories	Beckenham, Kent	Retrovir for the treatment of HIV infection
Y		
Yarrow Shipbuilders	Scotstoun, Glasgow	Type 23 frigate



Treatment for AIDS

THE time it takes to get a new drug on to hospital shelves is notoriously protracted. But with the human immuno-deficiency virus (HIV) spreading rapidly in the 1980s, there was an added urgency in the search to find a treatment for AIDS.

For that reason the Wellcome Foundation's timely introduction of Retrovir in April 1987 has received the Queen's Award for Technology. The award is for the complex manufacturing process which enabled the company to produce the drug in marketable quantities.

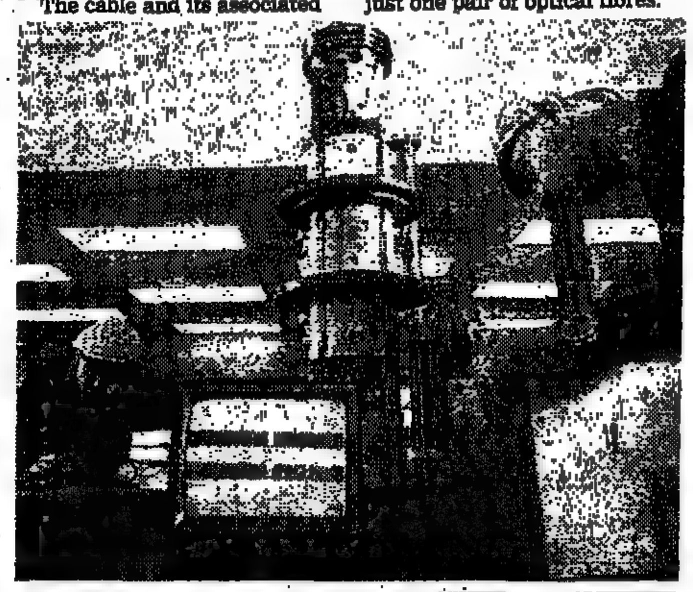
Zidovudine, the chemical formulation from which the branded drug Retrovir is derived, was studied in the early 1980s as an anti-cancer agent. But Wellcome decided it could prove effective in treating severe manifestations of the HIV infection. Retrovir earned Wellcome £134m in the year ending August 1989.

Underwater advance

THERE are few technological advances which become famous for lying on the bottom of the Atlantic Ocean. But such is the case with the optical fibre submarine cable developed by STC Submarine Systems, of London.

The cable and its associated electronics (pictured below) carry voice, data, facsimile and video pictures between the UK and the US. Similar links are under construction between Hong Kong and Taiwan, the British Isles and Spain and Japan and the US.

STC began developing the system in 1986. The NL4 420 Mbit/s system, which has won STC the Queen's Award for Technology, can transmit 5,760 telephone conversations down just one pair of optical fibres.



THE QUEEN'S AWARDS FOR EXPORT ACHIEVEMENT 1990

COMPANY	LOCATION	NATURE OF GOODS AND SERVICES EXPORTED
A		
Advisory Services Holdings	London W1	Medical consultancy services
AgriSense-BCS	Pontypridd, Mid Glamorgan	Insect pest monitoring & control systems
Align-Rite	Bridgend, Mid Glamorgan	Photomasks & design services for the semiconductor industry
Apollo Fire Detectors	Havant, Hampshire	Fire detectors
Aquascutum Group	London W1	Men's & womens's clothing & accessories
Armabord	Burnley, Lancashire	Melamine edging material
Automotive Products – Industrial Clutch Division	Leamington Spa, Warwickshire	Industrial power take-off clutches
B		
Baker & McKenzie	London WC2	Legal services
Bermans & Nathans	London NW1	Film & theatrical costumes
Biomet	Bridgend, Mid Glamorgan	Orthopaedic implants & instruments
The Body Shop International	Littlehampton, West Sussex	Skin & hair care products
Bonas Machine Co	Gateshead, Tyne & Wear	Weaving machinery & allied equipment
Border Holdings (UK)	Clun, Shropshire	Spare parts & components for vehicles
British Ceramic Service Co	Newcastle-under-Lyme, Staffordshire	Kilns
British Replin	Ayr, Ayrshire	Woven textiles
British Sidac	Wigton, Cumbria	Cellulose & polypropylene films
British Steel Stainless	Sheffield, S Yorkshire	Stainless steel
Butterley Brick	Ripley, Derbyshire	Clay facing bricks/clay pavers
C		
C&S Antennas	Rochester, Kent	Antenna systems
CS Brook & Co	Bradford, West Yorkshire	Bunting & woven woollen abba cloth
Caledonian Airmotive	Prestwick, Ayrshire	Overhaul & refurbishment of jet engines
Cambridge Research Biochemicals	Cambridge, Cambridgeshire	Biochemicals
Chaucer Foods	Ashford, Kent	Croutons
Chivas Brothers	Paisley, Renfrewshire	Whisky, gin & rum
College of Petroleum Studies	Oxford, Oxfordshire	Management & business courses
Courtaulds Speciality Plastics	Derby, Derbyshire	Cellulose acetate film moulding compound & sheet
Crabtree of Gateshead	Gateshead, Tyne & Wear	Metal decorating & coating equipment for the can-making industry
Crockett & Jones	Northampton, Northamptonshire	Men's footwear
Croerol	Halifax, Yorkshire	Short staple carding machines
Crosslee	Hipperholme, Halifax, Yorkshire	Domestic tumble-dryers
Crystalox	Wantage, Oxfordshire	Crystal growth equipment
D		
Datapaq	Cambridge, Cambridgeshire	In-process thermal monitoring system
Dent Instrumentation	Colne, Lancashire	Electronic yarn-break detectors
Douglas Laing & Co	Glasgow, Scotland	Whisky
Dunhill Scotch Whisky Sales	London NW1	Scotch whisky & crystal whisky decanters
Dunkirk Metals	Nottingham, Nottinghamshire	Aluminium deoxidants
E		
Eclipse Blinds	Glasgow, Scotland	Window blind systems
Edgeworth Electronics	Darlington, Co Durham	Audio amplifiers & loudspeakers
Electrolux – Floor Care Division	Luton, Bedfordshire	Vacuum cleaners
Ethicon	Edinburgh, Scotland	Surgical sutures & ligatures
F		
Fairbank Brearley	Bingley, West Yorkshire	Spring-making machinery & gas-fired rapid heating furnaces
Fairey Industrial Ceramics	Stone, Staffordshire	Ceramic water filters
Filtermist International	Bridgnorth, Shropshire	Oil mist filtration equipment for machine tools
G		
Glaxo Holdings	London W1	Ethical pharmaceuticals
Gloster Leisure Furniture	Bristol, Avon	Teak garden furniture
Gluck Engineering Co	London SE15	Clock mechanisms
H		
Hazleton Laboratories Europe	Harrogate, N Yorkshire	Contract life science research
Hepco Slide Systems	Greenford, Middlesex	Linear bearings & slideways for machinery
Heraeus Noblelight	Cambridge, Cambridgeshrie	Laser light sources
History Craft	Cirencester, Gloucestershire	Reproduction ivory giftwear from resin
HMB Subwork	Great Yarmouth, Norfolk	Remote operated underwater vehicles & services to the oil industry
Hunt & Moscrop	Middleton, Manchester	Paper finishing machinery
I		
ICI Agrochemicals	Fernhurst, Surrey	Herbicides, fungicides & pesticides
Imperial College of Science, Technology & Medicine	London SW7	Teaching & research
IOP Publishing	Bristol, Avon	Scientific books & journals
J		
John Brown Engineering	Clydebank, Dunbartonshire	Gas turbines
John Guest	West Drayton, Middlesex	Push-in tube fittings
K		
Kodak	Hemel Hempstead, Hertfordshire	Photographic films, papers & chemicals
Kvaerner (UK)	South Shields, Tyne & Wear	Ships' cargo access equipment
L		
Ladbroke Group – Hilton UK Hotels Division	Watford, Hertfordshire	Hotel accommodation
Laidlaw Drew	Livingston, Scotland	Combustion equipment (burners)
Leslie Hartridge – Special Products Division	Buckingham, Buckinghamshire	Automatic test equipment
London School of Economics & Political Science	London WC2	University tuition, research & consultancy
Lowe Refrigeration Co	Carryduff, Co Down	Refrigerated display & storage equipment hire
LWT (Holdings)	London SE1	Sale of television programme rights
M		
MF Industrial	Stretford, Greater Manchester	Trucks & industrial loaders
Mars GB – Pedigree Petfood Division	Melton Mowbray, Leicestershire	Petfood
McLellan & Partners	West Byfleet, Surrey	Consulting engineers & project managers
Metrotect	Cleckheaton, W Yorkshire	Pipeline protection materials
Mordaunt-Short	Petersfield, Hampshire	Domestic loudspeakers & amplifiers
Morning foods	Crewe, Cheshire	Oatmeal
MTM	Yarm, Cleveland	Speciality chemicals
Murray Allan of Innerleithen	Innerleithen, Peeblesshire	Cashmere & pure wool knitwear
N		
Neve Electronics International	Melbourn, Hertfordshire	Sound mixing consoles & systems
Norbrook Laboratories	Newry, Co Down	Veterinary pharmaceuticals
O		
Orthotech (UK)	Maltby, S Yorkshire	Orthopaedic implants
Oyster Marine	Ipswich, Suffolk	Sailing yachts
P		
Pains – Wessex	Salisbury, Wiltshire	Marine & military pyrotechnics
Parker Bath Developments	New Milton, Hampshire	Medical bathing & mobility equipment
Pendle & Rivett – trading as Fintex of London	London W1	Men's suitings & accessories
Phil Ayliff Products	Nuneaton, Warwickshire	Motorcycle disc brake pads
Pobjoy Mint	Sutton, Surrey	Privately-owned mint – coins for small countries
Portmeirion Potteries	Stoke-on-Trent, Staffordshire	Pottery & tableware
Premier Biscuits – a division of Premier Brands UK	Birmingham, West Midlands	Biscuits
Psion	London W1	Hand-held computers, peripherals & software
Purolite International	Pontyclun, Mid Glamorgan	Ion exchange products
Q		
QDF Components	Derby, Derbyshire	Iron castings
Quayle Dental Manufacturing Co	Worthing, West Sussex	Dental equipment, instruments & materials
R		
R Mears & Co	London EC3	Insurance & reinsurance broking
Radiodetection	Bristol, Avon	Location equipment for buried pipes, cables & drains
Randox Laboratories	Crumlin, County Antrim	Medical & veterinary pharmaceuticals
Rediffusion Simulation	Crawley, West Sussex	Flight simulators
Redwood International	Hemel Hempstead, Hertfordshire	Business software
Reediehill Deer Farm	Cupar, Fife	Live red deer
Reynard Racing Cars	Bicester, Oxfordshire	Racing cars & components
Reynolds & Kent	Westbury, Wiltshire	Leather gloves
Ronacrete	Dagenham, Essex	Building materials polymers, cement & sand mixes
Rover Group - Land Rover Commercial	Solihul, West Midlands	4 – wheel drive vehicles & spare parts
S		
Salford Electrical Instruments – Automotive Electronics Division	Heywood, Lancashire	Heated rear window aerial units
Sandon Flexographic Printing Rollers	Runcorn, Cheshire	Printing plates & printing equipment
Serif Cowells	Ipswich, Suffolk	Board games
Serono Diagnostics	Woking, Surrey	Medical diagnostic kits
Sharp Manufacturing Co of UK	Wrexham, Clwyd	VCR's, microwave ovens, CD players, photocopiers & typewriters
Snell & Wilcox	Portsmouth, Hampshire	Television standards converter
Sony Manufacturing Company UK	Bridgend, Mid Glamorgan	Colour television & components
Sperrin Metal Products	Draperstown, Co Londonderry	Steel storage equipment
Springpart Manufacturing	Redditch, Worcestershire	Stainless steel compression springs
Stirling Aquaculture	Stirling, Scotland	Aquaculture consultancy, fish farm design & management
Sunset + Vine	London W1	TV programme production & distribution
Supertrack	Banbury, Oxfordshire	Overhead monorail laundry loading & distribution systems
T		
TES Engineering	Cheltenham, Gloucestershire	Special machinery for lead acid battery industry
Tankard Carpets	Bradford, W Yorkshire	Carpets
Technophone	Camberley, Surrey	Portable cellular telephones
Tiphook Group	Bromley, Kent	Transport asset rental
Trusthouse Forte	London WC1	Hotels, public & contract catering & related businesses
U		
Unipath	Bedford, Bedfordshire	Pregnancy, ovulation & clinical diagnosis tests
V		
Vascutek	Inchinnan, Renfrewshire	Implantable vascular prostheses
Vico Sutures	Bidford-on-Avon, Warwickshire	Ophthalmic needle sutures
Vitramon	High Wycombe, Buckinghamshire	Multilayer ceramic capacitors
W		
W Harold John (Metals)	Crindau, Gwent	Non – ferrous metals
Walker Filtration	Washington, Tyne & Wear	Filtration equipment
Wellman Process Engineering	Smethwick, West Midlands	Process engineering contractors
White & Co (Earls Barton)	Earls Barton, Northamptonshire	Footwear
Wilkes-Wogen Alloys	Rotherham, S Yorkshire	Ferro titanium & titanium sponges
Wolfe Publishing	London WC1	Scientific technical & medical books
Y		
Yale Materials Handling	Wolverhampton, West Midlands	Fork lift trucks

THE QUEEN'S AWARDS 1990: Company Profiles

SERIF COWELLS

Worldwide sales pursuit

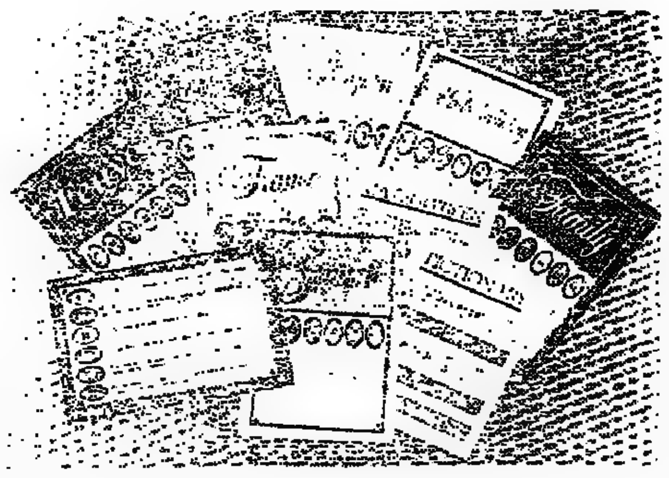
TRIVIAL Pursuit does not translate easily into Arabic.

When Serif Cowells, the USM-quoted Ipswich company which markets and manufactures the board game in the UK and Europe, decided to take on the Saudi Arabian market, they had to contend with the Saudi Arabian censor, who vetted each question and answer before passing the product for distribution. The language barrier was scarcely any easier to clear.

The company does not rate Saudi Arabia as a great success, but its sales force sold all the 20,000 Arabic language games which had been produced.

The East European market is another hard nut for trivia buffs to crack. Serif Cowells organised a Russian language television game show version of the board game, which is now shown in the Soviet Union. Mr Robert Wylie, the commercial director, said the Soviet authorities had not been eager to back the show with investment.

A Russian translation of the board game, in Cyrillic text, has been produced, but the company has not been allowed to put it on sale. Mr Wylie said: "We did the TV show with a view to sales in the future. The way things are moving in Russia we might well find ourselves getting outdated."



Other games may follow to realms where even script differs

Trivial Pursuit is moving into the opening markets of the Middle East and Eastern Europe after penetrating all the available markets in the West. The game is already marketed throughout the European Community, as well as in Scandinavia and Iceland, where most households possess a set. Although sales have now reached a plateau, the game remains the market leader.

Differences in national sense of humour make initial exporting a risky business. For example, sales were initially sluggish in the Netherlands, because the original set of Dutch questions was regarded as too difficult, without being particularly funny.

Big differences in the popularity of the game persist. Mr Wylie said: "It has been tremendously successful in France, but it's never taken off to the same extent in Germany. We think it's a humorous and entertaining game. Make your own conclusions."

Ironically, Serif Cowells wins the award at the end of a tough year, in which pre-tax profits dropped by almost half to £3.67m. This was attributed to a decline in profitability, and a plateau in sales, both of which had been expected.

However, in the 45 months to the end of 1988, the period covered by the award, export revenue from Trivial Pursuit alone totalled £105m. The company, which now employs 883 people, plans to expand through other board games, such as Pictionary, which it sells in Europe, the US and Australia, and East Enders, which is based on the BBC television programme, but may prove harder to export than Trivial Pursuit.

John Authers

TANKARD CARPETS

Red-carpet treatment

TANKARD Carpets, a contract carpet manufacturer based in Bradford which now employs a workforce of 270, has carpeted a number of corridors of power. It was founded in 1969 by brothers David and Paul Tankard, who are now joint managing directors.

Recent contracts include the red carpet used by Presidents Bush and Gorbachev at the Malta summit last year, along with the carpeting for the House of Commons, the House of Lords and the London Stock Exchange.

The company had a turnover of about £7m in 1989, nearly half of which came from exports. It is now trying to exploit opening Eastern European markets, and has won a £330,000 order from the Bulgarian Government to carpet the Vitosha Hotel in Sophia.

John Authers

Paul Tankard, left, and his brother, David Tankard, founders and joint managing directors of Tankard Carpets

ADVISORY SERVICES

A first for Harley Street

ADVISORY Services (Clinical & General), run by Dr Ralph Kohn, has brought a Queen's Award to Harley Street for the first time.

The company tests newly-developed drugs once experiments have confirmed they are safe for human consumption, and then clears them for sale on the world market. As development costs by this time can easily exceed £100m, reliable clinical testing is vital for the company's clients.

Advisory Services works only on clinical problems, and has no laboratories of its own. Its workforce organises tests on patients in conjunction with hospital consultants. Placebo drugs are used as a control experiment whenever this is ethically acceptable.

The company attributes its success to the high international reputation enjoyed by British safety and research standards. Dr Kohn said: "A drug accepted by our health authorities will be registered in practically all countries of the world. The controlled clinical trial was developed in Britain."

Established in 1971 as the first British independent clinical research company, Advisory Services now has a workforce of 14, all of whom are highly clinically trained. Its main markets are in the US, Western Europe and Japan with some work coming from Australia.

Changes in the Eastern bloc hold less immediate promise than for most of the other award-winners, as the pharmaceutical industry there is still far behind its Western rivals.

Annual export revenue is around £5m, and the company now has more than 80 foreign clients. In the last 20 years treatments for diseases ranging from heart failure, cancer, and Alzheimer's, to peptic ulcers, back pain and asthma have been tested by Dr Kohn's team.

John Authers

Doc Martens get a try-on in a shoe store in Brick Lane

WHITE & CO

Dr Martens steps out

A SURGE in the popularity of Dr Martens boots in Japan helped win an award for White & Co (Earls Barton) Ltd, a shoe-making firm based near Northampton.

The company launched a heavy sales campaign of the much-loved army boots in Japan eight years ago, and now considers the country one of its principal markets. Whites has been making and selling Dr Martens under licence from their inventor in Munich, for 30 years, and the market for the product continues to expand.

Mr Don White, the managing director, said: "They are a cult." He attributed the brand's continued popularity to a number of factors: "They are fashionable around the world. They are very practical shoes, they're versatile, and they are easily adapted to new fashion.

"They are good for industry, comfortable, and they are very long-wearing. I think they're regarded very much as a British shoe and that's part of their appeal."

Apart from DMs, the company makes Goodyear welted shoes, which Mr White described as "basically a classic shoe" which sells most heavily in Europe. Demand for welted shoes in Japan has now overtaken sales in America, which was previously the second largest market.

The company employs 220 workers in factories around Northampton, and now derives more than two-thirds of its revenue from exports. This represents a steady increase in export volume, although foreign sales are still regarded primarily as insurance for the domestic market.

A substantial sale had already been achieved in Europe, the US, and Canada before the company took on the Japanese market. Associated Agencies, which began selling the footwear in Japan seven years ago, says the trend this year is to punk and there are lots of young trendies buying these shoes in shops in Harajuku and Shibuya (London's King's Road equivalents in Tokyo). Meanwhile, the brands are now being introduced, with some success, to Hong Kong, Taiwan and Korea.

Mr White stressed that the quality of British shoes is becoming more of an advantage when competing against the significantly cheaper footwear produced in Far Eastern countries where labour costs are low.

The company is also expecting to benefit from the creation of the single European market in 1992.

Despite its international scope, the business remains a family company, which celebrates its centenary this year. Don White is a direct descendant of the founder, while Mr Nick White, who has recently joined the management, represents the fourth generation of Whites to be involved in running the company.

For Mr Don White, success in the international business field has been an extension of his contribution to English victories on the sports field. He played in the England rugby union team from 1947 to 1953, and after his retirement became the first England rugby coach, steering his side to England's first victory over the Springboks in 1969.

John Authers

THE QUEEN'S AWARDS 1990: Company Profiles

BERMANS & NATHANS

Costume-made

THE Falklands War broke out at a bad time for Bermans & Nathans, a company of theatrical costumiers based in Camden, North London.

They were costuming a French musical and the best feathers for show-girls' fans come from the Argentine vulture. Anything less would have been a poor substitute.

The company relies on meticulous historical accuracy in its costumes, and so this kind of detail was regarded as important. This eye for detail helped to win the Oscar for Best Costume Design for Kenneth Branagh's film of Henry V, which was costumed by Bermans & Nathans.

The company provided the clothes worn in the international productions of the musical Les Miserables, which ran in several cities of the US, and also completed an 18-month run in Tel Aviv. The contract which probably won the Queen's Award was to provide more than 10,000 costumes for nine different productions celebrating the bicentenary of the French Revolution in 1989.

Bermans & Nathans had to wait until this year before celebrating the bicentenary of its own foundation, which happened when a Mr Lewis Nathan opened his costuming business in Tichbourne Street, near Piccadilly. He is thought to have provided costumes for Sheridan's first productions.

Jacob Nathan opened what he described as "Masquerade House & Fancy Costumes" in 1843. Charles Dickens, an amateur dramatics enthusiast, was one of the first clients, in 1844.

Morris Berman, a Russian master tailor who had worked at the court of the Tsar, opened his business as a military tailor in 1884. His son Max moved the business to Irving Street in 1912, and provided military costumes for theatricals, and the infant film industry.

The company still specialises in replica military uniforms. Three films set in the Second World War, being shot on location in Europe, account for 2,000 of the uniforms the company keeps in stock.

The Berman company was acquired by Lord Grade's ATV Group in 1964, and acquired L & H Nathan in 1972. The company is now controlled by Heytesbury (UK), a private company owned by Mr Robert Holmes à Court.

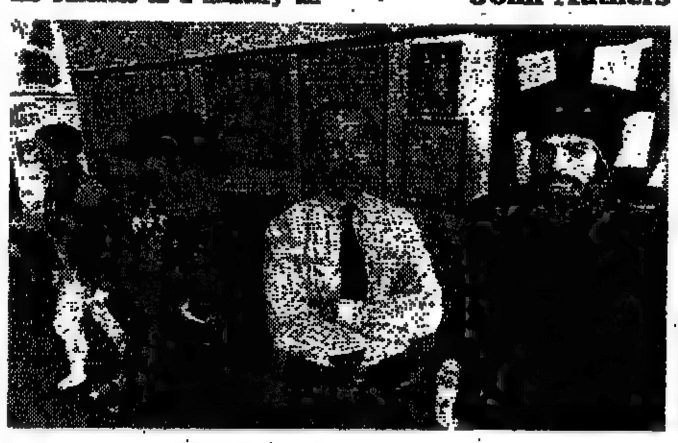
Mr Lindsay Jamieson, managing director, thinks the company is the biggest of its kind in the world. There is a subsidiary in Paris, with sales offices in Munich and Hollywood.

These offices reflect the company's main export areas. France and Germany have traditionally been the main area of strength for Bermans, and their costumes are being used in a French film about the life of the painter Van Gogh.

The film industry accounts for most of the company's business in the US. Indiana Jones and the Last Crusade, last year's highest-grossing film at the British box office, and all four Superman films used costumes from Camden.

There are signs that the film industry behind the old Iron Curtain may also be stirring. Two of the films on the company's books at present are being filmed in Budapest – a Japanese-financed American film of the Josephine Baker story, and a Shogun film set in medieval Spain.

John Authers



Tony Andrews

Lindsay Jamieson: specialises in replica military uniforms

BONAS MACHINE

Double success for jacquards

BONAS MACHINE, a textile equipment manufacturer based in Gateshead, Tyne and Wear, is the only individual company to have won awards for both technology and export achievement.

The awards come in spite of a loss of £3.2m in 1984, when the company came close to bankruptcy, and a turbulent industrial relations record which culminated in a nine-day strike early last year.

Mr Ian Harris, the managing director, bought the business from the Bonas family in 1984 at a point when, he said, the company was within days of receivership. However, the profits for 1989 were more than £4m.

The company's exports have advanced thanks to the innovation in "jacquard" machines which won the technology award.

Jacquards are necessary to control the pattern of finished textiles by operating the warp yarns of a loom.

While these devices were still mechanical, more powerful looms and advanced concepts in design were of little use, as machines could only operate as quickly as their jacquards.

Bonas made the first electronic jacquard in 1983, which roughly trebled the operational speed of looms. The company subsequently won a Queen's Award for the invention, but at this stage the looms could only be used for producing garment labels.

This year's awards follow the successful application of electronic jacquard machines to broadcloth weaving – fabrics up to three metres wide can now be handled on electronic jacquard looms.

Ian Harris: bought the company in 1984

The practical problem has now been reversed, and looms have difficulty keeping up with the jacquards which operate them.

Bonas introduced their new high-speed machines in 1987, and almost 1,100 of its jacquards have been installed on looms in textile mills around the world.

The company does not manufacture broadcloth looms, but makes the jacquards for them, and then negotiates with customers. Bonas accounts for more than half of all the electronic jacquards sold worldwide.

Exports account for 85 per cent of Bonas's turnover, which in 1989 stood at £22m. Western Europe is its main market, with sales in the US and Japan. The company has established service centres for its machinery in Hong Kong, the US, Germany, Italy, and Belgium, with agents in another 50 countries.

It has traded extensively in eastern Europe, and its label-making looms were established in Poland and East Germany well before the recent wave of political change in the area.

Bonas licenses its technology to companies in Belgium and Japan, and exports jacquards to a Swiss loom manufacturer.

Apart from the technological changes, Bonas has also introduced a radical pay scheme for its workforce of 320, which links wage increases directly to productivity. This meant that their workers recently won a 12 per cent pay award, 4 per cent ahead of inflation, without demur from the management.

An agreement signed with the Amalgamated Engineering Union in 1986 has ensured greater flexibility from employees, and clarified their responsibilities.

Productivity has also been helped by relocating to new premises within reach for the old workforce.

In 1988, the company moved from its outdated premises in Sunderland to a new, purpose-built factory in Gateshead, with a floor space of 100,000 sq ft.

Expansion means that an extension of 38,000 sq ft is being built.

John Authers

REEDIEHILL DEER FARM

Increasing the taste for venison

REEDIEHILL Deer Farm, the smallest enterprise to win a Queen's Award for Export Achievement, has a pivotal role in the growing worldwide business of deer farming. It exports red deer all over the world to farmers creating or expanding deer farms as the popularity of venison increases.

Mr John Fletcher, who runs Reediehill with his wife Nichola, is widely regarded as the father of deer farming in the world. Exports have quadrupled in four years, so that overseas sales account for nearly all the company's turnover of more than £500,000. But it employs only four people.

France is the Fletchers' biggest market but they also export to other European countries such as Denmark, as well as to the US, New Zealand, and Japan. The Fletchers export about 1,000 red deer a year, some of which they raise themselves at their 130-acre farm on the hills above Auchtermuchty in Fife. The rest are bought in from other deer farms in Britain or are captured in the Scottish Highlands.

"I'm not a farmer any more so much as an executive," says Mr Fletcher, who spends much of his time organising export transactions, advising farmers on how to raise deer and "generally evangelising about deer farming." Red deer from Scotland are in strong demand, he says. "Genetically they are very sound stock, they are very quick maturing and they are available in large numbers."

Mr Fletcher pioneered deer farming in Britain in the 1970s, demonstrating that deer are easy to raise in captivity and that the farmed animals are tender and hygienic. He believes venison will become increasingly popular at the dinner table, partly because of its very low fat content.

But, he says, he is "sad that we have to export so much. It's because there's so little official support for this type of farming in Britain." There are now 250 deer farms in Britain, but he does not know any deer farmer who makes his living solely from deer farming.

He says that whereas cattle farmers get 75 per cent compensation for animals compulsorily slaughtered for having BSE (mad cow disease), deer farmers get only 50 per cent compensation when deer are killed for tuberculosis.

Though hill farmers receive the hill livestock compensatory allowance making it economic to keep sheep and cattle, deer farmers do not. As a result most British red deer farms are in England on low ground rather than in the Scottish hills where it would be an ideal form of diversification.

The industry is growing faster in other countries. In New Zealand, Mr Fletcher says, more than one in 10 farmers are involved in it. Mrs Fletcher says: "We know from market research that a large potential market for venison exists here. If we don't expand deer farming here, the people in Europe, to whom we are selling deer, will export their venison back to us."

James Buxton

TECHNOPHONE

A handful of honours

BRITAIN'S yuppie culture has been characterised by the pin-striped suit, the personal organiser and the hand-held portable phone.

But a company which has benefited from – if not promoted – one of these much-maligned UK status symbols is also cashing in on it overseas.

Technophone, of Camberley, the brainchild of Swedish-born entrepreneur Nils Martensson, has been manufacturing light-weight hand-held cellular telephones for the UK market since 1984.

The technological breakthrough needed to make such small handsets won the privately-owned company a Queen's Award for Technology in 1988: exploiting this technology has now earned Technophone its third export award in as many years.

Perhaps Technophone's most notable export achievement is that it has continued to flourish in a market dominated by the electronics heavyweights – NEC, Hitachi and their peers from Japan, Motorola from the US and Nokia-Mobira from Finland.

Whereas these companies have huge research-and-development budgets and massive manufacturing muscle, Technophone has a research and development team of 150, and two manufacturing sites, one in Camberley and a second just beginning to function in Hong Kong.

But it is the flexibility that its small size brings, says Technophone's Graham Dutnall, that has produced the company's export success.

Whereas the mighty manufacturers are only prepared to go into markets where cellular radio systems use mass market technology, Technophone is prepared to re-engineer its hand-held phone for countries with their own individual systems, such as France. There, Technophone is the only company authorised to sell hand-held phones for use on the network.

Not that Technophone is ignoring the larger markets: it makes equipment for 26 different countries to a range of different technical specifications. Top of the target list these days is the US, the world's largest cellular telephone market.

To try and capture a sliver of that market Technophone decided that it would have to move into car telephone manufacture – its innovative hand-held design was simply not what the American market wanted. So the company set up its Hong Kong manufacturing base to make car telephones by exploiting its technological developments in the hand-portable field.

That car phone, a derivative of which the company will launch in Britain this week, houses most of the electronic wizardry in the handset. In most car telephones the critical technology is packed into a box of tricks, fitted in the car boot.

The advantage of the former approach, says Technophone, is that once the transceiver is fitted in the boot, anyone with the appropriate Technophone handset can plug it in and use it to make calls. The bill will then be sent to the owner of the handset – not the owner of the car.

Dutnall says that much of the growth in the company's exports has been as a result of a burgeoning number of countries which want to follow in the steps of the US and Europe and install cellular radio systems. That growth could well accelerate even further, as many countries, such as those in eastern Europe or the Third World, embrace mobile phone technology as a quick way of by-passing the rickety old wire telephone system.

But with the good comes the bad. That growth, Dutnall acknowledges, is likely to lead to the domination of a handful of well-proven systems – such as those used in the US and the UK. That would obliterate the sort of niche market out of which Technophone has made much of its money. And, as a growing number of manufacturers will enter the fray, including many from the Far East, the increased competition is likely to push prices down.

Although many customers are still prepared to pay a premium for innovative technology, Dutnall says that the cut-throat competition in the UK is already forcing the company to cut its prices to its retail customers, although the company is balancing that shortfall by reducing its manufacturing costs.

One thing that Technophone has already proved is that it has the stomach for the fight. But it will take another year to see whether that will result in the company winning a fourth Queen's Award for export.

Della Bradshaw

Technophone: third export award in as many years

Yarrow's Type 23 frigates are built on two £750,000 transporters which have cut the construction time to 30 months

YARROW SHIPBUILDERS

System-built Type 23 frigates

NAVAL shipbuilding during the 1980s was not one of the easiest sectors of UK industry in which to survive. The 1990s do not look much easier, with the possibility that a defence review may lead to reductions in defence spending.

However, Sir Robert Easton, chairman of Yarrow Shipbuilders, a Glasgow-based division of GEC, is confident that his company is well placed to survive despite the advent of perestroika.

The reason for that confidence is GEC's investment in a new £8.25m module hall and manufacturing system that should allow the company to reduce costs, and increase the company's competitiveness when bidding for future contracts. Their faith in the new system should be given a boost by the fact it has also won a Queen's Award for Technology.

The issue of costs is becoming more and more important for all naval shipyards at a time when the Ministry of Defence is demanding better value for money.

Before the new manufacturing system was fully installed, Yarrow lost a contract to build three Type 23 anti-submarine frigates to Swan Hunter Shipbuilders on Tyneside. The Glasgow company was told it lost the contract because its tender was more expensive.

The new system has allowed the company to reduce the cost of production because it can now build the warships much more quickly than before.

The first Type 23 frigate built by Yarrow took 51 months from laying down the hull to final delivery. When the company bid unsuccessfully for the three ships last year, it hoped to complete them in 36 months. Yarrow says when it bids for the next round of frigates this year it will be able to complete a ship in 30 months.

The reduction in time required to build the ships has been made possible by the purchase of two £750,000 transporters each capable of handling 200 tonnes, with a total lifting capacity of 400 tonnes.

The first step is to place slices of the ship's hull upside down on the transporters. Then prefabricated segments containing ventilation, electric wiring and most of the 13,000 pipes found in a Type 23 are fixed into position. The prefabricated units can be a considerable size because access to the upside down hull is so much easier than before.

The components can also be fewer and larger than those that used to be installed on ships. In the past, these needed to be small enough to pass along narrow corridors and down small hatches. The length of some pipes, for example, has been increased from 2 metres to 6 metres, reducing the need for flanges. Pipe installation times have been reduced by half.

Once a segment is finished it is turned over right way up and welded to the other sections. Using this system, 19 of the 22 segments of the ship can be installed before launch. Only propellers and delicate components such as the sonar, which might be damaged by a launch, need to be fitted later.

Previously, 85 per cent of the work was done before launch and took 18 months to complete, while the remaining 15 per cent of the work took 23 months on the water because of the difficulties of access to the 300-odd compartments on a ship of this type. The amount of work required after launch has therefore been reduced considerably.

To help design the prefabricated sections, the company uses a £3m computer-aided design centre, supplied by Prime Computer. The company says design work that took three months can now be completed in two days.

The new method of building the ships was not achieved without difficulty. Not least, the labour structure of the organisation had to be adjusted. Previously there had been strict demarcation lines between electricians, steelworkers and outfitters, but these roles became confused as most of the work came to be done simultaneously.

Although the different categories of workers are still recognisable from their green, brown and blue overalls, the company says they are no longer distinguishable by what they do.

Another problem created by the new system was that the company's suppliers need to provide components on time. If a widget is late, it has to be inserted much later in the production process when its final position may not be easily accessible.

"We're still a long way from just-in-time manufacture," explains Sir Robert Easton. "But we have to educate our suppliers. If the Ministry of Defence wants a ship on time, it has to learn to deliver its weapon systems when we need them. It's slowly coming to terms with the new requirements."

Sir Robert believes that because manufacturing costs at the yard are increasingly falling, so the chances of winning exports are increased. Pakistan, Australia and New Zealand have expressed interest in ships built using the new system.

"Having lower costs should make it easier to sell the ships, but not easy," says Sir Robert. "Being a ship-builder isn't just a matter of building ships. You have to be a politician, too, and a bit of a soothsayer."

Paul Abrahams

ICI

A clutch of accolades

PERHAPS it was predictable that ICI should be to this year's Queen's Awards what "Driving Miss Daisy" proved to be to this year's Oscars – both walked away with a clutch of accolades. Over the 25-year history of the UK honours only the industrial muscle of GEC has been able to match ICI's total of 57 awards.

This year the chemical company, one of the UK's few internationally-renowned industrial concerns, has won five awards, equalling the number it won in the event's first year, 1966.

Three of this year's awards are for technology and two for export, with the five divisions, or developments, for which ICI has been singled out showing the breadth of the company's activities. The awards are for agrochemicals, biochemicals, an industrial process to make chlorine, a process for matching human genes and a red dye that does not tinge other clothes pink when they are washed together.

Coincidentally, when the company won its first five awards they also included one for the agrochemicals division, one for dyes, a third for pharmaceuticals and a fourth for an industrial process – to handle naphtha, a kind of oil. (The fifth was for fibres.)

As well as the company's in-house technical expertise, ICI's talents for acquiring and collaborating with small, innovative institutions or individuals has also been recognised in the awards.

On the export side, an award has gone to Cambridge Research Biochemicals, of Northwich, Cheshire, which supplies peptides, antibodies and other biochemicals. The company, only 10 years old, was acquired by ICI in 1989, just before it won one of last year's Queen's Awards for Technology. Eighty-two per cent of the company's rapidly growing sales are exported.

One of the most exciting developments for which ICI has been given a technology award – genetic fingerprinting – was originally developed by Professor Alec Jeffreys at Leicester University and patented by the Lister Institute of Preventive Medicine, in Stanmore, Middlesex.

The Cellmark Diagnostics division of ICI has commercialised the complex technique, which has captured the public's imagination.

Genetic fingerprinting, a scientific sleuth used extensively to examine family relationships – such as in paternity suits – and to identify individuals from biological samples left at the scene of the crime, works by analysing the DNA – every human being's biological code.

The scientists look for the genetic codes that can be characterised, and these are represented by a series of black lines – similar to the stripey bar-codes used to identify cans of baked beans. Each individual has a unique "bar-code."

Cellmark Diagnostics now has two laboratories – one in the UK, the other in the US – which offer a service to police forensic investigators or individuals.

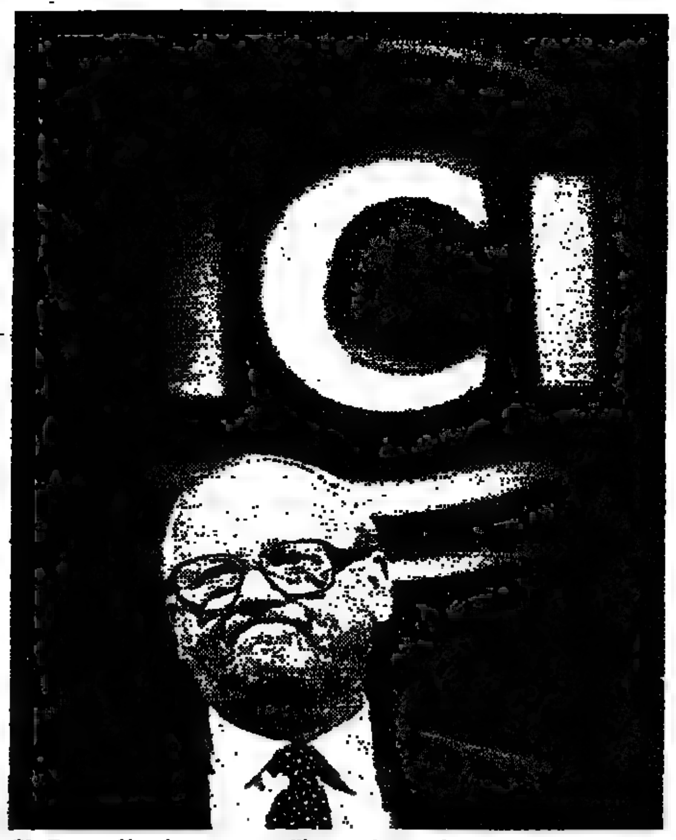
The UK laboratory has carried out 27,000 genetic fingerprint tests to date, reports Mr Paul Debenham, science director of Cellmark Diagnostics. Initial tests concentrated on DNA forensic casework, identifying rapists by analysing semen, or murders by blood left at the scene of violent crimes.

Many international police forces, and the Metropolitan force in London and the Home Office, have licensed the technology from ICI and have been trained by Cellmark to do their own tests.

Mr Debenham says that a lot of work is done privately for those accused of crimes, to see if the defendant can use the police's genetic fingerprint evidence to prove his or her innocence. A lot of work is done in family cases for immigration.

"Men come to us who have not had sufficient paperwork to prove to immigration officials that the people overseas really are their family members. They have no resource left except DNA analysis," says Mr Debenham.

ICI's second award for technology has gone to ICI's Colours and Fine Chemicals Division. It has been singled out for a red dye, which is as much a boon to the fabric manufacturer as to the consumer washing his or her clothes. Because the dye is five times as powerful as its predecessors, it takes much less to dye the fabric, so reducing costs.



Sir Denys Henderson: sensitive to the environment

The dyes – there are two variants of the red colour already on the market and a third being launched later this year – have been designed for use with polyester fabrics which are notoriously difficult to make colour-fast. ICI's benzo difuranone dye has been developed to resist what the chemical companies call thermal migration.

That is, when the fabric is heated during the dyeing process the dye moves to the surface of the fabric. When the garment is washed in warm water the same thing happens again – causing the colour to wash off. ICI has overcome the problem by developing a dye which does not move to the surface when heat is applied.

The company's expectations for the dye are big. It has already announced its plans to build a new manufacturing facility at Grangemouth, Scotland, to make the dye. And now the company has mastered the art, or science, of the red colouring, it is planning to make other colour dyes for polyester fabrics.

Perhaps less popularly exciting, but of more interest to industry is the development of an electrolyser for the production of chlorine and caustic solutions from sodium or potassium chloride brines. Sir Denys Henderson, Chairman of ICI, points to this development, which eliminates the need for mercury in chlorine production, as proof positive that ICI is "sensitive not only to market opportunities but to larger environmental issues" as well.

Chlorine is used in everything from pharmaceuticals to pesticides and agrochemicals – but is perhaps best remembered as that nasty tasting substance used to disinfect swimming pools.

The second export award has been won by the company's agricultural division, in Fernhurst, Surrey, one of ICI's best-known divisions. It has been pinpointed for its sales of plant protection and growth products to more than 150 countries. In 1989 its worldwide sales, of 3,000 products, totalled £322m.

Della Bradshaw

Some uncommon technical touches

Della Bradshaw looks at two three-man organisations

THE BEST rags-to-riches stories always begin with one man, a vision and a garden shed.

Substitute a laboratory built on the side of the house for the garden shed, and a passable living for enormous wealth, and you have the story of Mr Ernest Moorey, founder of E M Electronics, of Brockenhurst in Hampshire. With only two co-workers – his wife and his son – Mr Moorey's company is one of two organisations with a staff of just three to win the Queen's Awards for Technology this year.

The two concerns, EM Electronics and the NERC ICP-MS facility at Royal Holloway & Bedford New College (part of the University of London), have much in common – and much that divides them. To begin with They both produce the sort of technical laboratory equipment that makes the layman recoil in incomprehension.

E M Electronics makes instruments to measure extremely low voltages. Its biggest single customer is the National Physical Laboratory in Teddington, but universities and laboratories around the world use the equipment.

Royal Holloway has developed equipment which can measure the amount of metals or other minerals in a substance – poisonous effluents in the water supply, say, or the iron or lead content in a human blood or tissue sample. The breakthrough in this spectrometer is that it can measure for over more than 60 different elements using just one sample, and taking just one or two minutes to do the job. And it is highly sensitive to minute quantities of these elements.

Another common bond is that both the developments which won Queen's Awards reached fruition because of the perseverance of one man. In the case of the spectrometer, Mr Alan Gray, now with Royal Holloway, was instrumental in pushing developments through. While with E M Electronics it was Mr Moorey's perseverance over a three-year period, with no source of income, that produced the award-winning development.

Mr Moorey became a self-employed design consultant in the early 1980s, and, "did some doodling between design jobs." The results looked so interesting that he spent the best part of the next three years, and mortgaged his house, to produce the prototype machine by hand.

He took the equipment along to the National Physical Laboratory for testing, and they ordered one straight away.

These days the printed circuit boards and other parts are subcontracted to a local company and the cases are made by a precision engineering company in Devon. But Mr Moorey still produces the highly sensitive central measuring devices for his equipment himself.

Nor does he feel it is necessary to advertise his wares. He waits for customers to contact him – a policy which is bringing in orders for 50 instruments a year, almost all from overseas customers.

The three-person team at Royal Holloway, on the other hand, opted early in the development phase of its equipment to have an outside company commercialise, manufacture and market the products. With an average selling price of £150,000 per item, it is easy to see why the university was unable to do it themselves.

Instead they worked with VG Elemental, of Winsford, Cheshire, itself a company specialising in spectrometer developments. VG Elemental has now sold 250 of the big machines, 80 per cent of which have been exported overseas, reports Mr Tony Kinsella, sales and marketing director of the company.

Although the largest market for the equipment is already in North America, Mr Kinsella is hoping that sales there will rise sharply following the decision by the US Environmental Protection Agency, just last month, to approve the use of this technique to analyse tap water, soil or ground water samples for environmental purposes.

Factory restructuring

Hoover sets out to make a clean sweep

Not only is product variety and production complexity being substantially reduced at the domestic appliance manufacturer's Merthyr plant in Wales, but line management is being fundamentally changed also. John Gapper reports

Mervyn Davies, a foreman at Hoover's plant in Merthyr Tydfil, south Wales, is not unhappy at the prospect of his job disappearing at the domestic appliance maker. "It will be sad if I disappear with it, sure, but if you are talking about running an efficient factory it has to be done," he says.

Davies spent nine years as a sergeant in the Royal Signals. He followed that with 18 years as a foreman at Hoover, nearly all in a similarly ambiguous role, stuck between officers and men; he is one of 42 foremen whose jobs are to be abolished in a work restructuring.

"I believe you are born to be a foreman," says 44 year-old Davies. "You have got to be a leader of men. You have got to take some flak and you have got to give it." Born to the role or not, Hoover's foremen will soon have to get used to a different one.

For some, the new role will be redundancy. For others, it will be that of specialist tasks within the old factory on the outskirts of Merthyr which was first built in the aftermath of the last war as a place for returning soldiers to work. The rest will join a new supervisor grade.

There is a lot of uncertainty inside the Merthyr plant these days. It is a time of old certainties being abolished without new ones to take their place. The previous order was broken by the announcement last September that 290 of the 1,890 jobs there were to go.

They have gone now, and a new factory manager has been in place since January, planning new ways of working to fit in with a £12m capital investment approved by Hoover's US parent company Maytag. Hoover is to change, but some of its workers are still unsure of how.

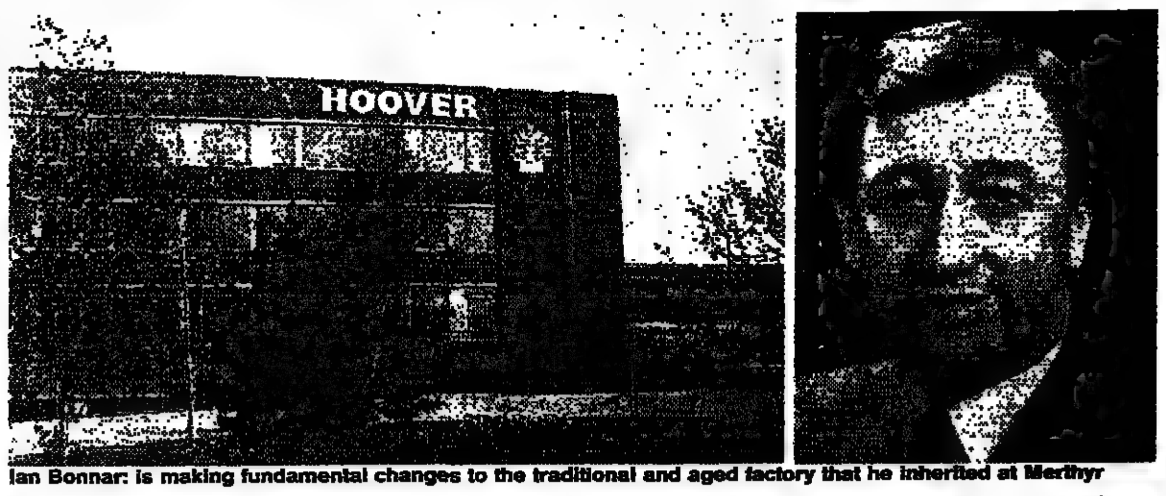
Ian Bonnar, general manager personnel and associate director of the Merthyr plant, wants a different factory from the traditional and aged one he has inherited. "It is like a car that has run very well for years, then you miss a service or two, and suddenly when you put your foot down it does not take off," he says.

The announcement of job cuts in September came from a broad review of the way Hoover works. The review was known within the US parent company as "Backdragon" because it involved a group of senior managers standing back to look at operations from the company's Merthyr head office.

Among other things, the review concluded that Hoover was producing too much to match a downturn in demand and increased competition from the Far East. Job cuts were decided on both at Merthyr and at the company's vacuum cleaner manufacturing site in Cambuslang, Scotland.

A series of changes emerged from Backdragon, from a switch in advertising agency to a new distribution contract. It also tried to address the managers' old complaint that Hoover was led too much by its marketing side – "We would sell machines with bells and whistles on," says Bonnar.

But the implications of the review for the Merthyr plant – beyond the cut in jobs to 1,603 – are only now starting to emerge. They range from a change in production methods affecting 25 per cent of floor space to a set of innovations in working arrangements and supervision.



Ian Bonnar: is making fundamental changes to the traditional and aged factory that he inherited at Merthyr

The news of another big work reorganisation prompts some disbelief from Bill Bish, the plant's union convener. Only four years ago, under Hoover's previous US owners, Chicago Pacific, it was in the throes of a project known as Phoenix under which manufacturing methods were revised.

"Quite frankly, I don't think the plant is being run as efficiently as it was in the past," says Bish, who emphasises the unions' commitment to increasing profitability. He says production changes such as the introduction of just-in-time techniques have not been thought out thoroughly.

The main production changes for the Merthyr plant will be the use of polypropylene tubs in place of the current metal ones, and a move to buying-in pre-painted shells for the machines rather than pressing and painting steel inside the plant. This will in turn affect final assembly.

Bonnar's aim is to cut down the variety and complexity of tasks in assembly. As part of the Phoenix project, the company moved from cycle times of 30-45 seconds in this area to times of up to two and a half minutes. The aim was to enrich the jobs of workers and cut absenteeism.

A side-effect has been to make it much more difficult to train production workers. The new cycle times require workers to carry out 5,000 operations to achieve full competence, against 50 for 30-second tasks. The company has found the commitment too heavy and wants to return to the old ways.

But Bonnar's attempt to revitalise the plant involves more than making production simpler to fit in with a re-shaped marketing effort. It also means cutting through some of the accumulated layers of tradition in a factory where the average age of workers until recently was 49.

He has identified a number of targets:

- More managers are being brought in from outside. There is a new technical manager at the plant and he is recruiting managers for other functions. The family traditions of Hoover have combined with the distinctive nature of the plant in the Merthyr area to keep turnover very low until now.
- Craft workers are being asked to train in multi-skilling; for instance this would involve electricians doing fitters' jobs and vice-versa. The number of maintenance craft workers has been cut from 83 to 43 and Bonnar wants installation work to pass to outside contractors instead of direct employees.
- The materials delivery group of 70 mainly semi-skilled workers is to be asked to work more flexibly between areas of the factory. More generally, he wants to achieve more flexibility in deploying semi-skilled workers across functions in assembly lines.

But the most dramatic change in working arrangements is the proposal to abolish the jobs of all 42 foremen at the factory in favour of an extended layer of supervisors who would be clearly identified as part of management rather than being stuck between the workforce and managers.

From long experience as an industrial relations manager in the motor industry, Bonnar talks of foremen as being "a bit of an enigma" in many companies. Within the Merthyr plant, he says many foremen have been inadequately trained and have more or less abandoned the management of people.

Instead, they have become chasers of materials on lines. He means to remedy this by re-appointing some of them to specialist tasks of this kind while bringing in better trained supervisors with responsibility for controlling the way work is handled within sections of plant.

In the washing machine assembly area, he envisages the current 16 foremen and three superintendents – as supervisors are known in the factory – being replaced by about nine supervisors. Each supervisor in the factory would typically have responsibility for about 70 people.

"The role of the foreman over the years has moved from being a man manager to being an activity manager," he says. "The calibre of foreman we have here now does not meet our needs and we are left with this extra layer that slows down communication."

As one of the foremen better-regarded by the company Davies sees some sense in this view. "I don't think the role the foreman is playing at the moment is quite sensible," he says. "He is half on the workers' side and half on the management's and he needs to be all on the management's."

Bish says the company has been at fault in its treatment of foremen. One reason the foreman's role has been degraded is the company's abolition of materials progress chasers as part of a move to a just-in-time system, he argues. Foremen have simply ended up covering for the absent chasers.

The fate of Hoover's progress chasers raises a common flaw in many work re-organisations: that the remaining structure tends to absorb the absent jobs informally. Is there then a guarantee that Hoover's foremen really are to be abolished, and they will not re-emerge under another name?

Bonnar believes not, if his aim of re-focusing the manufacturing process to simplify it and improve communications is achieved. For him, foremen have been one of the accumulated layers that have stifled the Hoover plant for too long, and need to be removed.

'The most important source of new technology'

David Fishlock reports on a study of attitudes among British companies to collaboration

Collaboration is "a recipe for tearing up pound-notes," according to the chief executive of one technology-based company. Yet, even for companies which do their own research and development, collaboration is now the most important source of new technology, according to a study on British corporate attitudes to the exploitation of science and technology.

The study was carried out by the two-year-old Centre for Exploitation of Science and Technology, the Manchester-based think-tank set up by some of Britain's more research-conscious companies.

A total of 51 directors and senior managers of UK technology-based companies were interviewed by John Cheese, a Cest researcher. His findings corroborated evidence from its previous surveys of specific technologies, says Bob Whelan, Cest's director.

Those interviewed all believe technology to be of critical importance in maintaining competitiveness, but recognise that they must innovate more frequently or make bigger leaps, to keep pace with competitors overseas.

They are turning increasingly to collaboration across a very broad spectrum – joint ventures, licensing deals, pre-competitive research partnerships – as well as mergers and acquisitions, to provide the new technology they need. As Cheese reports, "by sourcing technology externally, companies can share the burden of innovation, gain access to specialist skills and contain risk."

So central is technology collaboration becoming, Cest argues, that it must become part of corporate strategy, and no longer be treated as a piecemeal pursuit to be left to the initiative of relatively junior managers.

Joint venture collaboration of any sort brings an added bonus, one technical director acknowledges: "Having to convince another party that your idea is a good one forces you to think things out better," he says.

Collaboration partners cited as up-and-coming include universities and polytechnics. These are already a source for over 70 per cent of those surveyed, but draw a contrasting range of comments, from "very good value for money" to "can't come up with the goods on time".

Collaboration with supplier companies both at home and abroad is already a significant source, and one expected to increase. Tighter links between buyer and supplier can help contain technical and financial risks of innovation.

Mergers and acquisitions are not yet a major source of technology for those surveyed but are expected to increase in importance more rapidly than the other sources. Foreign acquisitions, foreign joint ventures and UK acquisitions are the three sources the use of which is most expected to increase – a prospect Cest deems rather depressing because it suggests a delayed response to technical change and one ultimately debilitating to the UK.

Independent contract R&D is a substantial and increasing source of technology for specific products and analysis. National and EC pre-competitive collaborative research programmes are mentioned most frequently as other sources offering good leverage – a contribution of £200,000 gives access to £4m worth of research results. Both kinds of R&D need good management to yield benefits, however.

Cest reflects that this expansion in collaboration has two big implications for companies. One is that the relative decline in importance of in-house R&D as the source of technology, compared with the rise of other sources, may partly decouple competitive gain from what is spent on R&D and in developing in-house technological skills. Many companies, by sharing their technology, may merely be settling for competitive equality, Cest argues.

The other implication, perhaps even more fundamental, is for the way the company is managed. Project management is emerging as a core skill. Cest believes sustainable competitive advantage will accrue to companies which are consistently better and faster at adapting externally sourced technology to their needs.

In short, for a research-based company of the kind Cest concerns itself with, if technology is to be acquired through a variety of collaborations rather than generated in-house, there must be a corporate strategy for technology acquisition, and overall management of the collaborations. Moreover, its management will be no easy matter – just think of the complications a variety of sources will bring to any question of intellectual property rights.

Attitudes to the exploitation of science and technology. Published by Cest, Enterprise House, Lloyd Street North, Manchester M15 4EN. £50.

LEGAL COLUMN

Europe keeps business on the boil for expanding lawyers

By Robert Rice, Legal Correspondent

WHILE the UK law firm merger boom of the late 1980s seems to have burnt itself out, the realignment of the profession across Europe shows no signs of slowing down.

Firms from all over the globe continue to expand their European operations, apparently undaunted by tales from across the Atlantic of a downturn in mergers and acquisitions work and the laying off of corporate associates among some of New York's finest after the collapse of the junk bond market.

Europe is different, of course: it has 1992 to keep it warm. Foreign direct investment into Europe, particularly from Japanese and American companies, is expected to rise substantially over the next two to three years. The market in cross-border mergers and acquisitions, joint ventures and other forms of strategic alliances is buoyant.

All of that means more work for lawyers, and if the volume of work should fail to live up to expectations there is always the East to keep the wolves from the door. At least, that is the theory.

Law firms have been falling over themselves in their hurry to open offices in the Eastern Bloc since the turn of the year. Given the rapid pace of moves towards reunification in Germany, Berlin has naturally been the focus of much of the attention. London solicitors Frere Cholmeley have become the latest firm to open an office there.

Poland too is now creating much interest. Amhurst Brown Colombotti has just become the first English law firm to open in Poland.

As if to prove a point, more than 200 lawyers from the West will gather in Warsaw today for a conference on Eastern Bloc joint ventures sponsored by the International Bar Association and the Polish Bar Association and the Polish Institute of State and Law.

The big development in European practice last week, however, was the announcement by five of continental Europe's leading law firms of the formation of a strategic alliance to co-operate on cross-border and EC work.

The five member firms of "The Alliance of European Lawyers" are Germany's Boden, Oppenhoff, Rasor, Schneider & Schiedermair; the Belgian firm De Bandt, Van Hecke & Lagae; the Dutch firm of De Brauw, Blackstone, Westbroek; France's Jeantet et Associés and Spain's Uria & Menéndez.

That is a powerful grouping. Four of the five figured prominently in the recent survey of the four top-grossing law firms in five European cities carried out by the American Lawyer's sister publication European Dealmaker. The fifth, De Brauw, Blackstone, Westbroek, is in fact the largest member of the group, with 200 lawyers and the greatest spread of offices in The Hague, Rotterdam, Amsterdam, New York, Brussels and, from last week, London.

De Bandt was the largest grossing law firm in Brussels. European Dealmaker estimated the firm's gross revenues for 1989 at $14m (£8.5m). Boden Oppenhoff was ranked the third-highest-grossing law firm in Frankfurt, with gross revenues of $17.6m. That figure, however, represented the combined revenues for the whole year of Cologne's Boden Oppenhoff and Frankfurt's Rasor & Schiedermair even though the firms only merged in July. Uria & Menéndez was ranked third-highest-grossing firm in Madrid, with gross revenues of $10m, and Jeantet et Associés the second-highest in Paris, with gross revenues of $15.8m.

The firms are therefore all leading operators in their own home territories. The alliance, however, will give them an impressive and unique geographical spread. It will have offices in Cologne, Frankfurt, New York, Brussels, Paris, London, Madrid, Barcelona, The Hague, Amsterdam, Rotterdam and the Ivory Coast.

Some rationalisation of the overlap in offices would make strategic sense and the intention is to open a combined Alliance office doing EC and transnational work which will consolidate the existing Brussels offices in the autumn. The offices in New York and London will also be integrated by the end of the year.

The individual firms will continue to practise independently in their own countries. The principal aim of the alliance will be to provide a cohesive pan-European service through teams of specialists from each member country. The teams will meet regularly to review European developments and will advise on national and EC laws governing cross-border activities in the areas in which the members already specialise, such as mergers and acquisitions, tax, anti-trust, corporate finance and environmental law.

The justification for the alliance is simple. Mr Frans Rosendaal of De Brauw Blackstone Westbroek says: "Increasingly, international businesses are demanding an international approach from their advisers. We believe that by forming this alliance we will be able to provide an improved service for our clients."

The crucial question in all of that, however, is: why is no UK law firm involved?

The answer is quite simply that none was asked. The alliance's view is that it enjoys such good relations with a number of the UK's top firms that it would have been difficult to single out one firm to join the alliance – not to say counterproductive for its relations with others.

In reality it is difficult to resist the conclusion that the decison not to include a UK firm was deliberate (although why the Italians should have been excluded is less clear). After all, the rationale behind the creation of the alliance must surely be to enable its members to compete more effectively with the large US and UK firms for a bigger share of the cross-border transnational work flowing into Europe at the moment.

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IT IS TEMPTING to say that "The Alliance of European Lawyers" will have more offices than virtually any other law firm in the world, except, of course, Baker & McKenzie.

In recent years B&M has been at the forefront of the development of legal services in the Eastern Bloc countries, opening offices in Moscow, Budapest and now Berlin.

It must be particularly pleasing for B&M, London, therefore (as well as one in the eye for some of its competitors who have tended to sneer at B&M's way of doing things, labelling it little more than a franchise operation), that it has become the first law firm to win a Queen's Award for Export. According to Mr Malcolm Palmer, the firm's administrative partner, the award highlights the considerable volume of foreign business for which it successfully competes, not just with other London law firms but in the US and elsewhere.

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BEFORE leaving the theme of the development of legal services across Europe, the recent formation of both a British-Hungarian lawyers' association and a British-Czechoslovak law association should not be allowed to pass unnoticed.

Both associations have sprung from the frantic demand for information about the legislative and other changes taking place in these countries on their way to becoming market economies. On Friday, the Czechoslovak association in conjunction with the Centre for Commercial Studies at Queen Mary and Westfield Colleges will hold an inaugural seminar on new Czechoslovak business legislation in the Old Hall, Lincoln's Inn.

It will be addressed by, among others, Professor Pavel Kalensky of the Prague Institute of State and Law, and the Financial Times's former legal correspondent and now senior research fellow in international trade law at Queen Mary College, Dr A. H. Hermann.

ARTS

ARCHITECTURE

Taste for high Victoriana

Only a few miles from Heathrow Airport is one of the most remarkable and complete examples of Victorian architectural taste in England. Seen above the trees from the A30 a great gathering of towers, roofs and pinnacles suggests that Chambord has moved across the Channel. Royal Holloway and Bedford New College (it bears this name since a merger in 1985) is now part of the University of London, but it has an interesting history both in architectural and educational terms.

The College was founded by Thomas Holloway (1800-83) who had made his enormous fortune from the sale of his patent pills and ointments that were advertised as a panacea. In 1885 Holloway had opened his first great national benefaction, a sanatorium at St Ann's Hill, Virginia Water. For his sanatorium Holloway held a limited competition to find his architect and chose William Henry Crossland from Yorkshire. Crossland was a pupil of George Gilbert Scott and he was best known for churches and his design (with Scott) for one of the earliest planned industrial estates, Akroyden, outside Halifax.

It is interesting that Crossland's cottages at Akroyden were built in the Gothic style, "to awaken the innate taste of the people for the beautiful in outline." The sanatorium, which was in use until 1981, was richly decorated and described at the time by *The Builder* magazine as "a combination of rich colouring and gilding that is not to be found in any modern building in this country, except in the House of Lords."

Holloway enjoyed indulging his high Victorian taste and when he decided to build a college for the education of women "of the middle and upper middle classes" he chose Crossland again as his architect. The chateaux of the Loire Valley were a clear inspiration and Holloway and his architect spent three weeks at Chambord in 1873 measuring "how much of the chateau I wanted for my purpose."

Thomas Holloway was a remarkable man who worked incredibly hard for his fortune and was equally enthusiastic about giving it away. He was a representative of Victorian values and the Royal Holloway College which Queen Victoria formally opened in 1886 is his finest memorial. He was, with his wife, determined to improve the educational conditions for women and he started by building the most comfortable and impressive set of college buildings. His lady students occupied sets of two rooms and enjoyed the facilities of a great library and handsome chapel and dining hall built in the French Renaissance manner around two quadrangles.

It is this great Victorian pile that is now causing the college so much concern. Tonight the council of the college meets to consider and decide how best they can fund the future maintenance and improvement of the Grade I listed buildings.

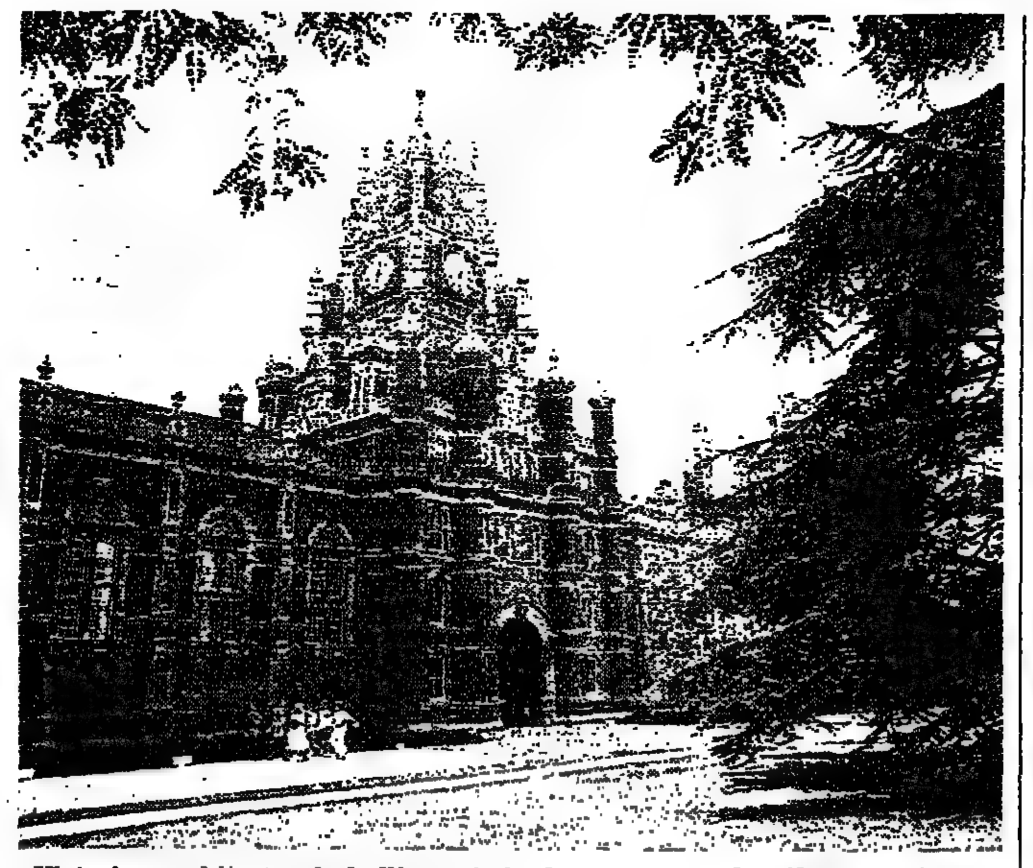
The college has a secret weapon which it also owes to the foresight and generosity of the founder, Thomas Holloway, in the last three years of his life. He was 81 when in 1881 he started to buy, at Christie's, some of the most original pictures of the later 19th century. He bought mainly the work of living artists at high prices with the intention of forming a remarkable collection of Victorian taste. Frith's great "Railway Station," Millais's "The Princes in the Tower" and the strange and wonderful Landseer,"Man Proposes, God Disposes" are three of the best known of the collection of 77 pictures that hang in the great Picture Gallery of the college.

Holloway also acquired some earlier pictures and it is from these that the college is considering selling a Turner and a Constable at auction to fund the necessary maintenance that will halt the decay and speed the rehabilitation of the college.

Turner's great seascape picture has one of his long narrative titles: "Van Tromp going about to please his masters, ships at sea, getting a good wetting." Turner painted four pictures based upon the activities of the great Dutch admiral – two of them are in London at the Tate Gallery and the Sir John Soane Museum and the third is in the Wadsworth Athenaeum in Hartford Connecticut. The Constable is a full scale sketch for the "View on the Stour, near Dedham" which he painted in the 1820s.

Art markets are uncertain places but as recently as 1984 a major Turner that had belonged to Lord Clark sold at auction for £7.37m. However, two other good Turners have recently failed to reach their reserves. But the question is not simply how much will these pictures fetch in the market place but whether it is right for the college to sell its artistic patrimony to preserve its architecture.

Selling the family silver to cover the gap left by inadequate state funding of the universities seems far too often to be the only available option for some institutions. It seems wrong that the only way to ensure the future of an historic benefaction is by selling a major part of it. But, as we are regularly told, we have to live in the real world, and Royal Holloway have clearly considered all the possible options open to them before deciding on this course.



Victorian architectural ebullience is in danger at Royal Holloway and Bedford New College, near Egham in Surrey

Part of the money raised will be used for an endowment fund to maintain the Victorian picture collection. Some of it should also be used to ensure that the great collection is more easily available to the public.

A new Centre for the Study of Victorian Art and Architecture has been established under Professor J. Mordaunt Crook to offer MA and Diploma courses. This centre is being funded by a benefaction from Christie's. It will be one of the few places in the world where the art and architecture of the Victorian period can be studied alongside such extraordinary examples of both. But the centre depends as much as the rest of the college on some guarantee of the future maintenance of the gargantuan buildings.

The need for funds is urgent and dire. I was very depressed by the condition of much of the interior of the building. The library with its soaring tunnel vault needs immediate refurbishment, and the picture gallery needs a great deal of work to ensure that conservation and lighting standards are met. The state's reluctance to provide adequate funds for the maintenance of its own museums and galleries makes it unlikely that any special provision will be made for the fabric of Royal Holloway in all its late Victorian decaying splendour.

The need is great,the reluctant sale of the pictures may be the only answer. It is a sorry reflection upon official values that perhaps only art market forces can make it possible to ensure the maintenance of the fabric of this inspired setting for higher education.

Colin Amery

Ariadne auf Naxos

COLISEUM

To anyone searching for an ideal performance "Ariadne auf Naxos" is a "desert island" opera in more ways than one. The delicate balance between artificiality and genuine artistic feelings that Strauss wrought in this piece makes it extremely difficult to stage satisfactorily, while the small scale of the score often leaves it helplessly washed up in a large theatre.

When it was new, this ENO production was given a warm welcome, though that was probably because its disastrous predecessor had sunk without trace.

For the present revival, it has been staged anew by Walter van der Kaaij. But the impression remains of a production that has spent a lot of time working out how to create simple theatrical effects on a tight budget and rather less on the human qualities that make the opera worth doing.

This is a shame, as the company has endeavoured to assemble an interesting cast. The pretext of the opera is to contrast two examples of the "eternal feminine," for any kind of which Strauss had rather a fondness, and the two leading female roles are filled by singers who are winning international reputations.

It is some years since Anne Evans was heard as a promising young Strauss soprano at the Coliseum. Since then she has scored a notable success in Wagner at Bayreuth and it is good to find her willing to lay down her spear and helmet for a while to return here as Ariadne – a role for which she has the right weight of voice, if not the purity of line and vocal production that the music ideally requires.

In the Zerbinetta of Constance Hauman she has an attractive companion, though the voice is so light that it was difficult to be sure if it could carry up to the back of the balcony.

There was little sense of a relationship forming between her and Rita Cullis's Composer, a calm and earnest fellow, sung in shining soprano tones rather than the impassioned mezzo we usually hear. But then the Prologue as a whole was rather a mess.

For the rest, Michael Hordern won friends as the Major-Domo and Alan Woodrow hit all of Bacchus's top notes with penetrating, bright tone, one possible answer to the perennial problem of the Straussian tenor.

Although the detail of the orchestral score still seems lost to me in a theatre of this size, it was directed with unobtrusive care by Lionel Friend. The surging climax that he brought to the final duet was the best feature of the evening.

Richard Fairman

London recitals

PURCELL ROOM/WIGMORE HALL

When the BP Peter Pears Award was held for the first time last year, it laid down a distinctive set of requirements to emphasize the unique musical sympathies of its dedicatee.

By chance there was no tenor in the final and it was the bass-baritone Neal Davies who gave the prizewinner's recital at the Purcell Room last week. In other respects, though, this young singer may prove to have been an appropriate choice. There is nothing flashy about the way he presents himself in recital; and if at first one feels that he lacks the necessary performer's spark to hold an audience through the evening, he does take the listener gradually into his confidence.

In voice, as in musicality, he is sure of what he can do. If one is allowed to use the term of a singer from Wales, the voice itself has a quintessentially English sound.

There was nothing in the programme last Thursday where Davies sounded happier than in the "Songs of Travel" by Vaughan Williams or Finzi's "Let us Garlands Bring," for the tone quality and colours of the voice respond naturally to the sort of expression that these composers will have expected to hear in their music.

In Simon Over he has found an accompanist well matched to his own artistic personality, a fine musician, his qualities modestly put on show.

Between them, they might have found a little to dazzle the ear in Ibert's Don Quichotte songs; and the "Four Serious Songs" by Brahms were also serious in the wrong as well as the right way, a touch stolid in shape. But the musicality they possess will always bring its own rewards.

There was certainly no shortage of dazzling moments in Saturday's recital given by the violinist Dmitry Sitkovetsky at the Wigmore Hall.

This was an evening of genuine brilliance – not so much of a technical kind, though he has that in plenty as well, as in that ability to take a simple musical phrase and invest it with meaning that is given only to the finest musicians of the day.

The Strauss Sonata went with elan; the Schubert Fantasy in C with virtuosity. In the Janacek Sonata Sitkovetsky typically brought an immense concentration to bear and there were some moments when the playing was so withdrawn that he seemed to bring the music's power from some hidden reserves of deep, inner feeling. Brilliant playing indeed, well supported by Pavel Gililov, who fought his way bravely through some treacherous piano parts.

Richard Fairman

The Awakening

HAMPSTEAD THEATRE

Julian Garner, an English writer who has spent the last few years in Norway, appears to have returned from his stay with a duty-free consignment of Nordic gloom. Awakening flickers briefly in this dour drama, only to be extinguished by the crusading morality of a society that can forgive but not forget.

His plot centres on a repentant child murderer, released after two debilitating years in solitary confinement through the efforts of a zealous Salvation Army captain. His treatment is ponderously scriptural, backing up tracts of religious teaching with imagery of fishing-nets and communion wine.

In his first act Garner sets an interesting predicament: abandoned to the temptation of sharing a remote island farm with a single woman, is the childlike Johannes going to revert or prove himself entirely reformed? The passions and the terrors that periodically sweep over him, leaving Con O'Neill grunting and groaning on the ground, make the tension seem real enough.

The second act opens with the shocking revelation that, far from coming to a businesslike understanding, Johannes and Unn have shacked up together; moreover, she is carrying his child as if in sacramental replacement of the little life he destroyed.

In doing so, it has entirely changed the ground rules of the play, pushing the focus away from Johannes and Unn on to the equivocal figure of Sister Agnes, whose unexpected return to the farm throws her into a crisis of faith and conscience.

This is intensified when, running from the house of sin, she is confronted in church by a prison warder she earlier reported for mistreating the prisoner, who turns out to be the father of the murdered child.

It is clear by this stage that the real subject of the play is the unlovely Agnes, played with a neuralgic frumpiness by Linda Bassett, whose charitable urges have left a trail of unfulfilled obligations. They prevent the distraught father from taking his revenge, and they taunt the reformed "sinner" with an impossible vision of freedom.

Johannes and Unn are separated and abandoned just as Unn was earlier abandoned by Agnes who had appointed herself surrogate mother. "It's not a question of danger," she offers, by way of explanation. "It's a question of public morality."

The trouble with this piece, which is directed by John Dove with an eagle eye for what lies between the lines, is that the the characters become somehow proscribed by the gloom to a matt flatness.

Gabrielle Reidy's Unn is worthy but mirthless, while Agnes pushes a moral dilemma beyond the bounds of sympathy. Even Con O'Neill, who achieves a fine humanity in the tormented halfwit, struggles hard to prevent his character from being brushed into the shadows.

Claire Armitstead

D'Oyly Carte Opera Company

PAVILION, BOURNEMOUTH

You may like your Gilbert and Sullivan straight and Victorian, or daringly fantasised, as with Jonathan Miller's production of *The Mikado* for the English National Opera. But for the worst of all possible worlds, do not miss the coupling of *HMS Pinafore* with *Trial By Jury*, offered by the revived D'Oyly Carte Opera Company in its third annual season, now on a national tour. Taste and comic flair have each taken a beating.

Pointlessly costumed in a mixture of periods from pre-Victorian to nearly modern, *HMS Pinafore* is almost wrecked on a three-tiered set of ugly geometrical construction. From the moment when Captain Corcoran makes his first entrance in a dressing-gown, coffee-cup in hand as he receives the salutations of his crew, this production comes with particular ill-grace from a company so strongly rooted in traditional loyalties. Andrew Wickes is the director, Russel Craig and Rohanna Bryen the designers.

At least, John Pryce-Jones, the company's new music director, ensures that there are compensations both vocal and orchestral. He keeps a tight rein but allows Susan Gorton, one of last season's jolliest discoveries, to present a delightful warm-toned Buttercup.

John Rath as Dick Deadeye is also notable, outsinging most of the other males. A version of the score slightly different from usual expands the role of Hebe (Thora Ker) by recourse to some early drafts of the work – only proving, as usual, that, when the librettist and composer sharpened and cut by way of revision, they knew what they were doing.

The same director and designers similarly jolt *Trial By Jury* out of its period and into the mid-20th century, robbing the legal satire of nearly all its point. The ultimate vulgarity occurs with the entrance of a "comically" pregnant Angelina. In this role, now far too juvenile for her, it is sad to see Sandra Dugdale, formerly one of our sprightliest operetta stars.

Strong vocal material is exhibited by Philip Creasy (Defendant), James Meek (Counsel), and Lawrence Richard (Usher), along with what must be one of the weakest portrayals of the Learned Judge ever to figure in a D'Oyly Carte performance.

The musical level under Pryce-Jones may be expected to rise as the tour proceeds, but in dramatic content this double bill is a double disaster.

Arthur Jacobs

Lisa Stansfield

Newcastle City Hall

Which famous child of Rochdale has topped the American black soul chart – Gracie Fields, Sir Cyril Smith or Lisa Stansfield? See you do know something about Ms Stansfield, the 24-year-old who has proved that ambition and a love of show business can lead to cavorting about the stage of the City Hall in Newcastle on a Friday night.

Lisa Stansfield paid her dues on the outer fringes of her profession – she fronted a Saturday morning television children's show in her early teens – but few could have predicted the success which has made her the most successful British soul singer since they burned witches.

The competition may not be great – English reticence does not nourish the talent – but Lisa Stansfield has immediately gone global. And so she should. Her voice seems almost artificially programmed for the genre – so deep and blistering is it in the lower reaches when expressing soul sadness; so thrillingly expansive when in the heights of innocent passion. But while her band – three keyboards, two on percussion, and one bass player – may be anonymous, calculating, sound engineers, happiest in the studio exploiting the latest technology to their commercial ends – Lisa Stansfield seems a genuine real live star.

Now there is the problem of what to do with her. There is the bow towards fashion and a Stansfield look – black cap worn wrong way round over short greased-back hair – but the girl seems too natural to go down that road.

In her stage outfit of jacket and shorts, she was embracing comfort rather than glamour. Her movements are also at odds with mechanised sophistication: she skips and wobbles like a five-year-old let out of school early. No, Lisa Stansfield comes from the down-to-earth, northern common sense school of entertainment, a worthy successor to "Our Gracie."

The music, composed in the band, will be vaguely familiar to anyone who has been near a provincial disco or a local music station in recent months. The songs are, in theory, about love and sex and betrayal, but they actually deliver a strict dancing beat over the most throw away of melodies and are not meant for listening. Just to play safe, the lyrics express re-assuring hopes like "Sincerity" and "Mighty love." The fans are mainly young girls.

Soul music rarely bridges the gap between the genuine emotions which are supposed to give it birth and the programmed superficiality of the product. Lisa Stansfield seems to appreciate the problem. Half way through her set she stops gamboling, sits on the steps, and really sings. And she sings that most affecting of blues, "Good Morning Heartbreak," really well. But as her chattering audience reminded her – you can't dance to Billie Holiday.

Antony Thorncroft

Lady Windermere's Fan

THEATRE ROYAL, BRISTOL

Wilde liked to keep an important item of his plot tucked away, so that it would make a better effect when he chose to reveal it.

In this production, one element of what is, after all, a well-known text is transposed to an earlier point in the play in order to give a more convincing quality to what is going on – the revelation that Mrs Erlynne is Lady Windermere's mother.

This is let slip, quite casually, in Act 2 instead of being saved for Act 4, and it adds extra credibility to Lord Windermere's insistence that "I dare not tell her who this woman is."

Lady Windermere is convinced, by the time she has heard of Mrs Erlynne's behaviour in Lord Darlington's rooms, that Mrs Erlynne is "a very good woman," and indeed the play is subtitled *A Good Woman*.

Maggie Steed rightly plays her as a woman trying to conquer the touch of vulgarity she has picked up in her fast life. But there is a maternal quality that she is able to switch on, and she will make a decent wife for Alan Bennion's decent Lord Augustus.

Joely Richardson, tall and stately, keeps Lady Windermere's emotions at bay. She is as cold in anger as she is in affection, though the truth is that she is given little opportunity to radiate more than gratitude. Secretly I felt that she would have been better off with Anthony Head's courteous Darlington than with Ian Price's rather grumpy Windermere.

Among the plethora of witty aristocrats that throng the Windermeres' rather under-decorated drawing-room, Jenny Lee's handsome Duchess of Berwick might age into Lady Bracknell, though she has a good deal of ageing before her yet. She is unkind to wish her daughter (Jane Annesley) on to such an exaggeratedly common Australian as Anderson Knight's Hopper.

The wit doesn't sound as witty today as it must have sounded in 1892, but this is a circumstance, not a fault, and Robert Carsen's staging provides a galaxy of wealthy folk in wealthy costumes, who look as if they are being witty out of earshot. This production is nothing if not generous.

Anthony Ward's designs for Carlton House Terrace are lofty and handsome, but parsimonious in furniture, lighting and ornament. Darlington's rooms are walled in with a dark curtain all round, which lifts effectively at the conclusion of the act to reveal the Windermere morning-room underneath.

B.A. Young

WNO's new season

The Welsh National Opera summer season opens on May 18 at the New Theatre, Cardiff, with a gala performance of *The Barber of Seville* which will be followed by the world premiere of John Metcalf's new opera, *Tornrak*, the next day.

A co-production with the Banff Centre, Canada, and with a libretto by Michael Wilcox, *Tornrak* is WNO's first commissioned opera for a number of years.

Other operas which will be performed this season are revivals of Peter Stein's production of Verdi's *Otello* and Aidan Lang's of Mozart's *Cosi fan tutte*.

ARTS GUIDE

April 20-26

MUSIC

London

English Symphony Orchestra conducted by William Boughton, with Michaela Fukacova (cello). Parry, Elgar, Dvorak, Vaughan Williams (Mon). Barbican Hall (638 8891).

The Philharmonia conducted by Neeme Järvi, with Yuri Bashmet (viola). Bartok, Walton, Sibelius (Tues). Royal Festival Hall, South Bank Centre (928 8800).

The London Philharmonic conducted by Zubin Mehta, with Itzhak Perlman (violin). J.C. Bach, Elgar, Stravinsky (Wed). Royal Festival Hall, South Bank Centre (928 8800).

The Philharmonia conducted by Giuseppe Sinopoli, with Reiko Watanabe (violin). Wagner, Paganini, Berlioz (Thur). Royal Festival Hall, South Bank Centre (928 8800).

Paris

Cologne Collegium Vocale conducted by W. Fromme. Stockhausen (Mon). Chatelet (40282828).

Ensemble 2e2m conducted by Paul Mefano, Irene Jarsky (soprano). Depraz, Mefano, Ducreux, Eliasson (Tue). Radio France, Grand Auditorium (42301516).

Ensemble Orchestral de Paris conducted by Friedemann Layer, Tatiana Nikolaievna (piano). Martinu, Mozart, Beethoven (Tue). Salle Pleyel (45638873).

Ensemble Mosaiques conducted by Christophe Coin. Haydn (Wed). Théâtre des Champs Elysées (47203637).

Orchestre de Paris conducted by Semyon Bychkov, Pascal Moragues (clarinet). Bizet, Brahms, Franck (Wed, Thur). Salle Pleyel (45630796).

Orchestre National de France conducted by Y. Menuhin. Haydn, Brahms (Thur). Théâtre des Champs Elysées (47203637).

Brussels

European Philharmonic Orchestra with the European Community chorus and soloists perform Haydn's Di Jahreszeiten. Palais des Beaux-Arts (Mon).

Berlin

Berlin Philharmonic Orchestra under Gerd Albrecht with the Scharoun-ensemble plays a German premiere by H.Joerns and Beethoven (Wed, Thur). Philharmonie

Milan

Johann Strauss Ensemble conducted by Peter Guth (Tues). Conservatorio G. Verdi (76001755).

Rome

Enrico Camerini (piano). Mozart, Chopin, Liszt and Albeniz (Thur). Teatro Ghione (6372294).

Madrid

Matthias Fletzberger (piano). Beethoven, Schubert (Tues). Auditorio Nacional de Musica (337 01 00).

Spanish National Choir conducted by Alberto Blancafort. Rachmaninov (Tues). Auditorio Nacional de Musica (337 01 00).

Rosa Torres-Pardo (piano). Prokofiev, Debussy, Gershwin, Stravinsky (Tues). Auditorio Nacional de Musica (337 01 00).

Madrid Symphony Orchestra conducted by Max Bragado, with Carmen Gonzalez (soprano). Morales, Liszt, Granados (Wed). Auditorio Nacional de Musica (337 01 00).

Orpheus Chamber Orchestra of New York, with William Purvis (horn). Haydn, Mozart, Brahms. (Wed). Auditorio Nacional de Musica (337 01 00).

Wiener Streichtrio. Beethoven, Krenek, Mozart (Thur). Auditorio Nacional de Musica (337 01 00).

Rotterdam Philharmonic Orchestra conducted by James Conlon. Mahler (Thur). Auditorio Nacional de Musica (337 01 00).

Berlin Philharmonic Orchestra. Soloists. Bach, Reger, Mozart, Beethoven, Hartmann (Thur). Auditorio Nacional de Musica (337 01 00).

Barcelona

Soviet RTV Orchestra conducted by Vladimir Fedoseev, K. Rodin (cello), Vladimir Ovsinikov (piano). Tchaikovsky programme (Mon). Palau de la Musica Catalana (301 69 43).

Wilbert Hazelzet (flute), Jaap ter Linden (viola), Jacques Ogg (harpsichord). Bach programme (Tues). Fundacion Caja de Pensiones (317 57 57).

Orpheus Chamber Orchestra of New York. Haydn, Shostakovitch, Brahms (Thurs). Palau de la Musica Catalana (301 69 43).

New York

Mieczyslaw Horszowski piano recital. Bach, Schumann, Beethoven Chopin (Mon). Carnegie Hall (247 7800).

New York Philharmonic conducted by Leonard Slatkin with Emanuel Ax (piano). Mozart, Bolcom, Tchaikovsky (Tue); Yuri Temirkanov conducting. Shostakovich (Thur). Avery Fisher Hall, Lincoln Center (874 6770).

New York Choral Society conducted by Robert DeCormier. Verdi (Thur). Carnegie Hall (247 7800).

Washington

National Symphony Orchestra conducted by Lorin Maazel with Yefim Bronfman (piano). Debussy, Saint-Saens, Franck (Tue). Kennedy Center Concert Hall (467 4600).

Chicago

Civic Orchestra of Chicago conducted by Michael Morgan. Shrude, Zappa, Goldstein, Dhamabutra, Corigliano. Orchestra Hall (435 6666).

Tokyo

Chicago Symphony Orchestra, conducted by Daniel Barenboim. Brahms. Suntory Hall (Mon, Thurs). Takemitsu, Ravel (Wed). Tokyo Bunka Kaikan (289 9999).

NHK Symphony Orchestra, conducted by Herbert Blomstedt. Tchaikovsky, Larsson (Tues). Suntory Hall (505 1010).

Imogen Cooper (piano). Schubert (Wed). Suntory Hall, Recital Hall (353 2242).

Wiener Oktett. Brahms, Mozart, Furst (Wed). Suntory Hall (289 9999).

Leila Cuberli (soprano). Rossini, Respighi, Berlioz (Thur). Bunkamura, Orchard Hall (403 8011).

FINANCIAL TIMES

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Monday April 23 1990

Why Gatt still matters

ONCE UPON a time there was a village without any laws. At last, poverty-stricken and desperate, the villagers asked their scribes what to do. The scribes were, for once, of one mind. They told the villagers to agree on some laws and hire a policeman to enforce them.

The people could agree on the laws, but wanted no policeman. They decided, instead, that an aggrieved villager might take his case before a tribunal of his fellows. This tribunal would then determine both the merits of the case and the appropriate compensation for any transgression.

At first, the villagers kept their new laws. But their heirs grew contemptuous of the feebleness of the sanctions. The stronger realised that their fellows would not dare to act against them. One, seeing others get away with what he deemed outrageous behaviour, started punishing them himself.

Soon gangs appeared in every neighbourhood. New scribes declared the laws dead and hailed the gangs as their proper successor. In a while no villager dared to roam outside his own street; those with no gang of their own starved; and the village grew ever poorer.

Moral: it is not true that people fail to learn from history. They do. But their children then forget.

The world is more than a village; the General Agreement on Tariffs and Trade more than a bye-law. As an institution, the Gatt may be a mere shadow of the IMF or the World Bank. As an agreement, it has supported the progressive integration of the world economy upon which western prosperity has been built.

Paradoxical trends

The 1980s saw two paradoxical developments. The major developed countries adopted a more market-oriented approach to economic policy. But they also grew increasingly protectionist, notably the US. The free market, it often appears, stops at the border.

Meanwhile, the opposite has been happening in many developing countries and, more recently, former centrally planned economies. Partly because of external pressures, but more often because of the lesson drawn from their costly attempts at autarky, these countries want freer markets and greater participation in international trade.

Fearing that the erstwhile outsiders are trying to join a club to which its long established members feel ever more indifferent, a group of political and business leaders met last week under the chairmanship of Count Otto Lamsdorff. They warned that "failure to reach a substantial agreement in the Uruguay Round may leave chaos and impoverishment as its legacy."

Multilateral discipline

This Eminent Persons Group called "on every participant to make substantial compromises in areas of the highest political sensitivity. For the European Community, Japan and a number of other industrialised countries the main concessions will have to be in agriculture; for the US they will have to be in heavily protected areas like textiles and clothing, steel and sugar; but also in a willingness to abandon its purely unilateral pursuit of its trade interests; for developing countries, the most important concessions will lie in acceptance of multilateral discipline in the new areas – services, intellectual property and trade-related investment measures – as well as in willingness to lower what are, in some cases, still extraordinarily high tariffs."

Unhappily, the informal meeting of trade ministers in Mexico that ended this weekend has failed to reach agreement on any of these difficult issues. More happily, the ministers seem to have injected political urgency into the process at last, setting July as a firm deadline for agreement on an outline package.

That urgency will be needed, above all in the US, EC and Japan, which account for almost half of world trade (even excluding EC internal trade). These major players will determine whether the prosperity of the global village will continue and whether those who are now clamouring to enter will be able to do so. Their leaders now have less than eight months to show themselves worthy of an inheritance they have too long taken for granted.

The rewards of ownership

SINCE Mrs Thatcher's Government embarked on its privatisation programme, the proportion of the adult population owning shares in the United Kingdom has risen from one in 15 to one in four. The trouble with this otherwise impressive statistic is that the great majority of new owners hold shares in no more than one or two companies.

Corporate Affairs Minister Mr John Redwood argued last week at the Institute of Economic Affairs that it was for the City to take further action to address this problem and speed up the process of wider share ownership. In this he differs from the chairman of the International Stock Exchange, Mr Andrew Hugh Smith, who puts the emphasis on changes in government policy. These opposing positions are predictable enough, but they should not pre-empt the basic question: which of the two is right?

The chief problem with the Government's approach to wider share ownership is precisely that it has always been a by-product of the privatisation programme. Ministers have either preferred not to address the more fundamental issues relating to the relative priority accorded to different kinds of ownership; or they have flunked the test, as in the case of the tax reliefs for occupational pensions, when confronted by pressure from powerful interest groups.

The single most important reason why less than 20 per cent of the UK domestic equity market is owned by private individuals lies in fiscal incentives favouring institutional investment over direct ownership. That imbalance has been reduced somewhat since the Tories came to power. But private investors are still net disinvestors in company securities chiefly because the fiscal system favours collective forms of share ownership.

Housing taxes

Equally important is the tax treatment of housing, where mortgage relief and capital gains tax exemption on the main home have encouraged the British to regard housing as a fail-safe investment as well as a home. The fiscal incentive is scarcely necessary. Natural and planned scarcity of supply combined with monetary mismanagement by successive governments has anyway ensured that housing has offered both a hedge against inflation and real growth in capital values.

Mr Hugh Smith rightly points out that home ownership is in direct competition with share ownership. And he adds that any shift in the investor's preference from one to the other is likely to require much lower expectations of the return from investment in housing. Against the background of the council house sale programme, which has helped take the proportion of home ownership in Britain to around 68 per cent – astonishingly high by continental European standards – that is a very unpalatable political nettle to grasp. And Mr John Major, the Chancellor, has so far shown little appetite for the task.

Enterprise culture

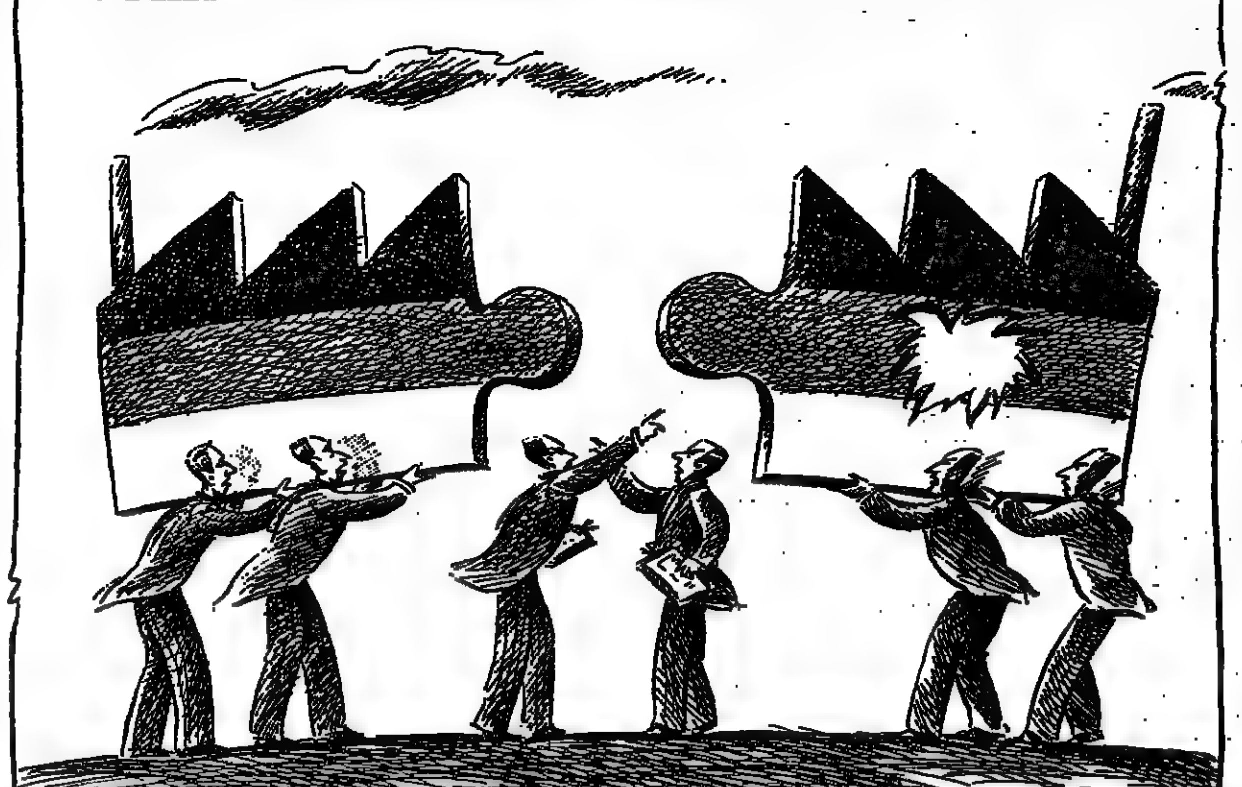
Yet it is hard to believe that Britain will ever find its way to a genuine enterprise culture in which equity ownership plays an important part unless the Government is prepared to break this inflationary psychology in housing. Nor will it get very far without encouraging greater efforts to educate people on the realities of personal finance. In the absence of such efforts Mr Redwood's attacks on excessive regulation in the City may ultimately rebound on the Government.

Unlike some of his predecessors he has, however, grasped the extent to which the cost of small bargains has become prohibitive since Big Bang. This is partly the result of the elimination of a cross-subsidy by institutional to private investors. And it is a moot point whether the cost of executing small bargains could be reduced by three quarters, as Mr Redwood would apparently like, simply by cheaper settlement and further back office computerisation, relocation to docklands and less-costly regulation.

No doubt there is more that the Stock Exchange can do on this score. But the future of wider share ownership lies with broader fiscal and monetary policy. And on that front the grounds for optimism are not, at present, very great.

The better part of valour

After early euphoria about opportunities in the East, West German business is acting cautiously, says David Goodhart



A discreet notice in the West German business press 10 days ago announced that the first of the new West German-East German joint ventures, proclaimed with great fanfare in January, had been indefinitely delayed. The compact disc manufacturing agreement between the West German company Pilz and the East German electronics group Robotron fell foul of local authority planning rules in Suhl, East Germany, where a new plant was to have been built.

The Pilz-Robotron failure is representative of a wider disillusionment that has crept into business relations between the two Germanys. Many of the thousands of West German businessmen who are still camped out in East Germany's grander hotels are beginning to feel weary and frustrated.

They face a daily struggle with inadequate telecommunications, lack of proper business premises, continuing uncertainty over the legal framework for business and doubts about the permanence of the East German companies with whom they are signing deals.

About 600 joint venture agreements have been signed since January, but they are almost all merely letters of intent, and West German firms can neither hire staff nor start operations with any security. "Nothing has really changed since November last year," said one director of an East German *Kombinat* (industrial conglomerate) last week.

"The East German bosses are signing deals to try to secure their own futures and the West Germans are doing it mainly for public relations purposes at the moment," says Mr Gonzalo Lopez-Diaz, a senior consultant at the leading West German management consultancy group Roland Berger.

Some even claim that business conditions have deteriorated during East Germany's transitional phase. Mr Guenter Schmitt, boss of West German electronics group Intermetall, says: "There is now nobody in East Germany who can take decisions."

Mr Wolfgang Geers, who runs a small West German telecommunications firm, would probably concur. At the beginning of December last year he presented a plan to open a subsidiary in Dresden. Production was due to start in July but Mr Geers is still waiting for a definite site.

A period of disillusionment after the euphoria of the first few weeks was inevitable. Moreover now that there is a legitimate government in East Berlin the legal confusion should be sorted out before the D-Mark is introduced at the beginning of July, a factor which will also make life a great deal easier for West German bankers and businessmen.

But some West German business leaders sense deeper reservations setting in. Mr Detlev Rohwedder, chief executive of steel and capital goods group Hoesch, says: "The West German politicians believe that they merely have to set the framework conditions and private capital will flow in and rebuild the country. It is not clear that such optimism is justified. The whole thing may be much more complicated than the politicians anticipated."

West Germany's five economic institutes have predicted a DM35bn (£12.7bn) to DM40bn orders boost for West German industry next year as a result of economic union. That represents mainly exports of consumer, investment, and infrastructural goods to East Germany rather than "inward" investment.

Many trading and service companies, like retailers Hertie and Edeka, do have definite takeover plans and the big banks will leave their pre-fabs and caravans as soon as they are allowed to take over the East German banking system. (Deutsche Bank last week began the takeover with its purchase of Deutsche Kreditbank). But manufacturers seem much more cautious.

BASF, the chemical giant, has announced that it can supply East Germany's needs from existing plants and has no present intention of manufacturing in the country. Similar announcements have come from Grundig and Blaupunkt and the West German Textile Association. And manufacturers who do intend to produce from East Germany will probably want to build their own plants from scratch rather than take over existing businesses.

"Apart from the car industry there has been little definite commitment on the part of manufacturers to take over and renovate the *Kombinate*," says Mr Rohwedder. When legal and currency uncertainties have been resolved large chunks of the least productive sectors of East German industry will find themselves without their former customers and lacking West German suitors too.

'East German bosses are signing deals to try to secure their futures; the West Germans mainly for public relations'

"There will be cherry-picking by the West," says Mr Ulli Pfeiffer, head of the Empirica Consultancy. "But nobody will want the chemical industry or the hopelessly backward consumer electronics industry. That means for a transitional period we will probably have 5 or 6 per cent growth per year along with 15 per cent unemployment."

Even a star of East German industry like Robotron has little to offer in technology or productive capacity. But it can offer its service network and, in common with most East German companies, its excellent trade relations with the Soviet Union and eastern Europe, according to Mr Lopez-Diaz.

The lack of shareholder pressure on West German industry means that it may be able to put patriotism before profits for a few years – especially with political prodding and generous tax breaks from Bonn.

Mr Herbert Henzler, chairman of McKinsey Germany, reckons that in 10 years time East Germany will boast world leaders in optics, printing machinery and porcelain (its current strengths). Between 50 and 70 of the existing *Kombinate* will, with the help of Western partners, be efficient performers on the world market. A further 50 *Kombinate* will have survived in some form through their own restructuring efforts and 20 or 30 will have closed down.

However the medium-term outlook for East-West German business remains, at best, rather more complex than it seemed at the start of the year. And even after the introduction of proper business and employment laws West German big business may not enjoy quite the freedom it had expected.

For one thing Mr Wolfgang Kartte, head of the West German Cartel Office, has already served notice that he will be taking a hard anti-monopoly line in East-West German deals. There are also fears that the structure of privatisation in East Germany could hand too much power to employees and that the trade unions will stop the market setting wage rates.

The ownership of industry is now being transferred to a national trust body, and by the middle of the year most of the state-owned groups will have been broken up and transformed into limited or public companies.

The current plan is that part of their capital – probably about 30 per cent – will then be transferred to a fund which will hold in trust interest-paying corporate bonds on behalf of every East German citizen. By the middle of the 1990s, it will be possible to value and distribute these bonds, although there remains some argument about whether citizens will have to pay something for them. The remaining 70 per cent will, where the demand exists, be sold at once to private investors, West Germans or foreigners.

The structure of West German industry means it can afford to put patriotism before profits for a few years

However there is a competing model, promoted by the East German IG Metall engineering union with the backing of its West German sister organisation, which would give workers in particular companies 75 per cent of the capital and thus a veto over management decisions.

This may not catch on but West German business is starting to worry, none the less, that the West German unions are belatedly moving in to support their East German counterparts, and in some cases effectively taking them over.

There is concern that this may have an effect on wage levels. Businessmen had been largely indifferent to the heated debate about whether wages should be converted into D-Marks at one to one or two to one. They have argued that the market will very soon set highly differentiated pay rates.

"But strong unions controlling wages could hold back the take-off," says one business leader. The unions in both Germanys will also do their best to block a pro-business reform of the East German trade union law, which bans lock-outs and gives the unions more power than in the West.

That could be a further disincentive to a fundamental redirection of West German company strategies away from an emphasis on EC integration and towards East Germany. According to a poll conducted by the Frankfurter Allgemeine Zeitung, most large companies outside the retail sector have never had any intention of rethinking their plans on account of East Germany.

Mr Wolfgang Zimmermann, board member of Heidelberger Druckmaschinen, world market leader in sheet-fed off-set printing presses, says: "Even when East Germany is fully open it will represent only 5 per cent of the EC market. Companies would be badly advised to abandon the remaining 95 per cent for that 5 per cent."

In the context of future European markets, says Mr Edzard Reuter, chairman of Daimler-Benz, "East Germany is a side issue but an important one."

The diversified energy group RWE is better placed than most to benefit from infrastructural spending in East Germany, but Mr Friedhelm Gieske, chief executive, also stresses continuing expansion elsewhere in Europe.

RWE, like most large companies, has established a new East Germany committee, although unlike many other companies it is not chaired by a board member. "But an East Germany committee does not mean we are going to be distracted from our basic strategy," says Gieske.

Deutsche Bank reports a certain "go East" pioneer spirit especially among younger executives trying to make a name for themselves or older men wanting to crown their careers. But the bank also points out that one day after a presentation at last month's Leipzig fair it fielded five full board members for a press conference at its Luxembourg subsidiary, far more than appeared in Leipzig.

Many small and medium-sized companies, members of West Germany's backbone of *Mittelstand* businesses, will be more affected by a re-orientation towards East Germany. Analysts like Lopez-Diaz believe the expansion of the East German *Mittelstand* is crucial for industrial take-off and to help soak up the unemployment created by the collapsing *Kombinate*.

He warns, however, that takeovers of existing small firms in East Germany could be dogged by legal uncertainty over ownership claims. Most of West Germany's bigger companies, like Daimler-Benz, have renounced any claim to those large East German enterprises which they once owned. But people in West or East Germany who have family claims on small businesses may not be so magnanimous.

East Germany does have a few entrepreneurs of its own. One of them, the manager of a small toy firm, claimed at a conference last week that he could quite quickly become competitive with the West German competition. However he needed to hire West German designers to produce a new range.

He reckons he needs about 18 months to get his business fit to compete, but wonders if West German bankers will give him that chance. He is not the only one. It is going to be a bumpy 18 months for most of East German industry and the corporate big brother next door may not be quite as generous or committed as hoped.

OBSERVER

Long distance running

■ It was hard not to feel sorry for the BBC – and Allister Hutton, the winner of the men's race – yesterday after TV coverage of the London Marathon had been reduced to two miles, ten minutes and twenty seconds by overcast cloud. It is a sobering thought – it was breakfast time – that in the electronic 1990s the BBC could reach no higher than the top of the mast of the Cutty Sark, which pre-dates John Logie Baird by half a century, for a decent picture of the race.

This is not the real reason for disappointment, however. The deeper suspicion is that the BBC does not quite understand the beauty of competitive marathon running as a television sport. This is surprising, given the hours devoted to snooker, the metronomic appeal of which is not dissimilar and which is equally likely to induce a severe case of brain rot, albeit often welcome on a Sunday morning or late at night.

Admittedly, 99.99 per cent of the 34,000 taking part in the London marathon were not in to win and many were running for good causes. But the weighting of coverage against those setting the pace does reduce its appeal as a contest.

As in so many cases, the Japanese understand, and do it, better, further confirmation of the fact that they are good at taking the long view. Throughout spring, when the weather is temperate and before baseball has begun to bite, Japanese television is consumed by marathons. The cameras are not only on the really big ones – the Tokyo and Osaka races, the Nagoya women's marathon – but also contests for geriatrics, vegetarians and left-handed chopstick wielders (not many entrants) and even more relays.

Each and every one focuses on who is leading. There are frequent time splits, measurements of stride patterns and breathing rhythms. The viewer can contentedly count the seconds between runners as they cross markings on the road. It makes for magnetic, and strangely soothing, watching and clearly explains why the Japanese approach work on Monday mornings revived in spirit, if not in body.

Stilled Walters

■ A contest of even longer duration than the average marathon has been that between Nigel Lawson and Alan Walters. Consistent with our leitmotif of the day, attention must be drawn to a singularly interesting footnote. Could it be that tucked away in the bibliography of Gordon Pepper's latest monograph on "Money, credit and inflation," is a defeat for the Prime Minister's former economic adviser?

It is no secret that Treasury officials have been fearing the worst about Sir Alan's planned book on economic policy in the years before he and Lawson resigned last October. Rumour had it that the book, to be published soon by Collins and the free market Institute of Economic Affairs, would be entitled "The economic consequences of Nigel Lawson" and be unsparing in its criticism of the former Chancellor.

However, under Walters, Alan, the bibliography of Prof Pepper's work refers the reader instead to a forthcoming book from Collins/IEA with the altogether blander title of "Sterling and Inflation in the Eighties."

The IEA last week dismissed suggestions that Sir Alan had been nobbled by Whitehall and forced to tone down his version. The institute's Graham Mather insisted that nothing was holding up publication.

However, Whitehall officials said that the book would certainly have been vetted by Number 10 Downing Street.

"Don't blame me – blame BT's excessive profit margins."

Mrs Thatcher may be less than appreciative of the legacy of the Lawson years, but would profit little from a further opening of old wounds.

Tape measures

■ The first marathon was a Greek affair. The longest contemporary European one is about the delineation of borders, but France and Luxembourg are showing it can be resolved peacefully. They are about to redraw a bit of theirs, so as to avoid any misunderstandings afflicting disoriented motorists on a stretch of road that could belong to either.

This began when Arbed, the Luxembourg steelmaker, built an access road from one of its plants to the nearby town of Dudelange, also in Luxembourg, passing a rather wrinkly bit of the common border on the way. Three years ago the local authorities decided to open it as a Luxembourg public highway.

Whereupon the French wondered how its civil and criminal liability laws could be applied in the case of a road accident that took place on a Luxembourg road in France. Pragmatically, Luxembourg suggested swapping equivalent parcels of land so that Arbed's road could stay in the Grand Duchy all the way. Since neither bit of land was inhabited, France agreed, and so shortly it will come to pass.

But the precedent could go too far, at least if applied to another, much loved, stretch of road not far away. At Martelange, straddling Belgium and Luxembourg, the border runs straight down the middle of the main street. There is not much on the Belgian pavement, but the lightly taxed Luxembourg side is a glittering row of duty-free shops, bureaux de changes and cheap petrol stations, much patronised, at least until 1992, by Eurocrats and their coteries buzzing between the EC's various institutions.

Shaggy fish

■ After a fishing marathon all he had was a small salmon. He was about to kill it when the salmon said: "Wait, I'm too small." "Good Heavens, a talking salmon! What's your name?" "Rusty," said the salmon, "throw me back in the sea." The fisherman threw the salmon in the sea and went home. About a year later he was fishing in the same spot, when a big fish took the bait. "At last, a decent-sized salmon," he said about to hit it on the head. Again the salmon spoke "Hey, I'm your old friend Rusty." "Amazing," said the fisherman, "what have you being doing." "Sitting on the deck of the Titanic writing poetry," the salmon replied. "Here, look at this." The fisherman took the poems, and was impressed. "These should be published," he said, "but what about a title." After some thought, the fish said: "How about *Salmon Rusty's Titanic Verses?*"

Jurek Martin

Anthony Harris finds rather more to worry about in the long-term US economic outlook than in the present

First the good news then the bad

"THIS IS a boring report; but that is probably not a bad thing." Only 10 days ago this seemed an apt conclusion for a Wall Street analyst to draw from the US economic statistics. Under the surface, it is true, the trends looked rather less steady (and less favourable); but their tale of profits squeeze, threatened recession and rising bankruptcies was familiar enough to be boring too. Not even recurrent scares about a possible Japanese retreat from the US markets could keep readers awake for long.

Last week, though, news broke, though there was some dispute about what it was. "Inflation heats up, chills markets;" "Japanese sell-off rocks bonds." There is in principle no contradiction here, since bad news about inflation might well frighten Japanese fund managers; but the reported Japanese retreat began two days before the inflation figures were published.

It is possible, then, that the inflation figures were made to look worse than they really were by the market fall, which brought the long bond down 3 per cent and blue chip equities down 2 per cent during the week. Commentators can seldom resist explaining market movements in terms of any suitable news.

This certainly appears to be the view of the country's most senior economy-watcher, Mr Alan Greenspan, the Federal Reserve Chairman. In written evidence to a Senate committee two days after the consumer price news, his only remarks about inflation were these: "The central tendency of the Federal Open Market Committee forecasts suggests that most members are of the view that some progress toward lower consumer price index inflation can be achieved this year without a sizable rise in the unemployment rate."

The bulk of his statement was concerned with risks in the commercial credit market which could easily cause a sizable rise in unemployment. This suggests that the market and the commentators may have been dwelling on the wrong sort of bad news.

Commercial building seems to be heading for a major pause, the result of past over-building

First, however, the headline news of rising inflation and an improving trade balance must be analysed briefly. The trade figures were indeed unexpectedly good, and might have caused more celebration if the market had been going up. In a weak market, they were treated as an aberration.

This is also the official reading: the Treasury, by co-incidence, marked the news with a warning that the trade balance might now get worse. At the same time the Department of Commerce issued the first official forecast of the benefit which US trade is likely to enjoy from the build-up of Japanese car production on-shore – $15bn annually by the end of next year. Some of the improvement last year is clearly from this source, so there may be some good news to come which did not get into the Treasury computer model. It will not mean much for growth, though.

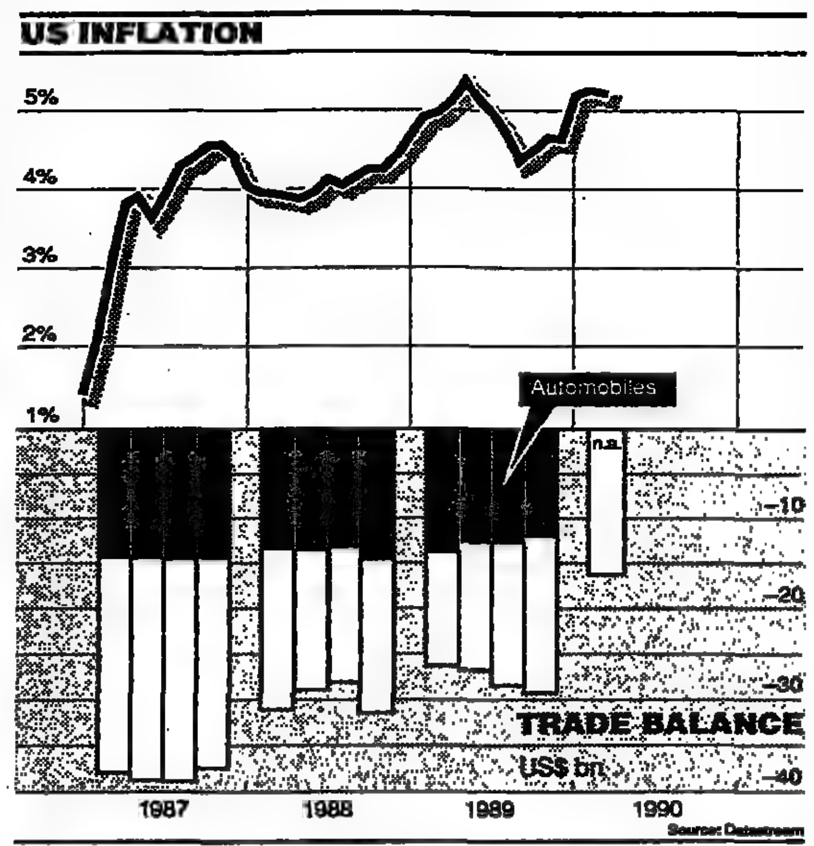
The inflation story is a tale of 0.3 per cent – the difference between the actual 0.5 per cent rise in the index in February and the 0.2 increase which market economists had forecast. This was partly over-optimism about food and energy: analysts had expected the oil industry to trim product prices rather more promptly than they did in response to falling crude oil prices. They also seem to have under-estimated the effect of the continuing drought in California, which is the major source of fresh produce in US food stores at this time of year.

However, it was the level of "core inflation" – all items less food and energy – which attracted the grimmest comments. This reached an annual rate of 7.5 per cent in the first quarter, after running at 4 to 4.5 per cent for the previous six years. About a third of this acceleration, and a third of the unexpected 0.8 per cent March price rise, was due to one item: women's clothing. The apparel index rose 4.9 per cent in two months, after rising just 0.2 per cent in the previous *10 months together.*

The clothing price rise could well be regarded as sinister. Indeed there is some sign that the industry is trying to take advantage of quota protection, but it has all happened before. There have been at least three fashion price scares since the miniskirt disaster of 1987-88, when the industry found it had misjudged its market. All three faded away as prices relapsed with the first sales, and stayed down. In the last year a number of well-known names have vanished into bankruptcy; the survivors appear to be trying again.

This story of desperation in a hard-pressed industry could have wider application. After-tax profits in manufacturing fell by nearly a quarter in the year to end-1989 in the official figures, which unfortunately include profits from asset sales – a major factor in a year of LBO restructuring.

Some sectors of retailing, and some *services – notably airlines* (and recently restaurants) have suffered worse. There have been consumer complaints that domestic air fares have risen steeply as hard times have thinned the competitive field. These fare increases often fail to stick. Similar news may well be heard before long in furniture retailing, which has recently had a high casualty rate. So far as this is true, recent inflation is a lagged response to cost rises long ago. Time may work a cure; tighter monetary policy might make things worse.



How widespread is such distress, and is it likely to spread? The evidence is mixed, but not encouraging. On the positive side, US businesses plan to increase their plant and equipment spending 7.8 per cent in 1990, following a 10.4 per cent actual rise in 1989. This is a slowdown (and performance is usually short of stated plans), but still enough to sustain some growth in the economy. If the trade balance continues to improve – despite the Treasury forecast – that *would be another bull point. Unfortunately* the list of bear points is longer:

● Construction is facing generally very weak demand. Housebuilding is slowing down from its brief spurt in a tropical January. Permits for future starts in March were 8 per cent down on February, and the lowest monthly total for seven years. The cause seems to be as much demographic as a result of high interest rates; the whole house market is now extremely sluggish. Commercial building seems to be heading for a major pause, the result of past over-building, and bank finance for new projects has virtually dried up in many regions.

● Public spending, especially at State level and in defence, is being increasingly squeezed. Most US states operate on balanced-budget rules. These are economically destabilising because they require expenditure cuts or tax increases when other activity is slowing. There is plenty of anecdotal evidence of this in the Metro section of almost any daily newspaper. *Aggregate figures are hard to come by until* long after the event.

On the national level the Gramm-Rudman rules could have a similar effect. Last week Budget director Richard Darman said that Congress should be looking for a further $6.5bn in cuts on top of the $36bn requested by the President to compensate for the economic slowdown. The cuts, of course, are for the year starting in October; but the effects are already being anticipated in area like the Washington which have a large government market.

The savings and loan crisis will have a cumulatively deflationary effect as growing sums of revenue are diverted from goods and services to maintaining interest payments on insured deposits, or on the money borrowed to pay them off.

● Credit demand is weak; supply is constrained by heightened appreciation of risk. The banks are also playing a destabilising role. Mr Greenspan, reporting to the Senate on the result of a survey of major banks, said: "During the past six months a large majority of respondents had become less willing to make construction loans, while about one-fifth were less willing to extend business credit. *Generally, they cited less favourable* economic conditions as the most important factor leading to their policy change."

Mr Greenspan said that this might have "potential effects on the level of local economic activity," a characteristically restrained description of what could be the most potent deflator of all. Meanwhile, borrowers seem to be imposing their own restraints. There was virtually no loan growth in December or January, but an annual*ised increase of 5.3 per cent in Febru*ary. The monthly average for 1989 was 7.6 per cent.

The Chairman went on to show why things might get worse as a result of the collapse of the junk bond market. The loss of liquidity will directly affect the ability of highly leveraged companies to refinance their debts, and may prevent them selling assets to pay them off, since many of the buyers have themselves relied on junk bond finance. This sounds like what the London market used to call "pig on pork."

● Personal spending has been subdued, and seems likely to remain too weak to lead a recovery, despite a reported revival in confidence. Persistent optimists – and stale pessimists – still talk of consumer-led growth. There is precious little evidence to back them. The picture is typical of a weak outlook, with weak sales of cars and durables, and some of the money saved spilling over into clothes and other non-durables. Total retail sales in the first quarter were 5.5 per cent up on 1989; prices were up 5.2 per cent. Meanwhile previously sceptical academics have agreed with some market economists that private saving is likely to go on rising for the time being for purely demographic reasons. In short, the reasons which supported recession forecasts at the turn of the year are still in place, and looking stronger. Why, then, have the *forecasts gone out of fashion? Mainly,* probably, because they have been wrong so far. Nothing is more trying than waiting for a premature forecast to come right. But as stale dollar bears learned in 1985, and as those expecting inflation to slow down may learn next month, sound forecasts can remain sound even when they are beginning to gather dust.

LOMBARD

No philosopher's monetary stone

By Samuel Brittan

THE inclination of interventionists and would-be economic planners to find a clever way round high interest rates – by credit controls, for example – is understandable. But unfortunately the dislike of market-clearing prices extends to people who believe *they are monetarists and sup*port a market economy.

These reflections are brought to mind by a new and valuable research monograph by Professor Gordon Pepper (Money, Credit and Inflation. Institute of Economic Affairs. £6.95). Unfortunately the monograph may comfort all those fair-weather supporters of counterinflation who believe that some improvement in *Bank of England techniques* would remove the need for high interest rates – as well as improving the Government's standing in the polls.

This is a pity. For, despite the ritual attack on the shadowing of the Mark, Pepper's monograph dispels many illusions. For instance, broad money and credit cannot be followed as an automatic target because of variations in the demand for money held for savings purposes. Never the less, "lending by banks and building societies was an extremely important reason for excessive monetary growth in recent years."

Moreover, contrary to what Mrs. Thatcher thought when she intervened to uncap sterling in March 1988, "foreign exchange intervention also had little direct impact, because it was completely sterilised." What then did go wrong? The supply of broad money and credit has been demand-determined ever since the end of credit ceilings. So one can point the finger at almost any development one likes. There was financial liberalisation which made it far easier to borrow. There were the tax privileges of home owners, which *boosted the effects of financial* liberalisation. Above all there were the planning controls which boosted property values, and increased the apparent wealth of the personal sector. Alternatively, one can accept all these structural forces as given and blame the Bank and Treasury for not having maintained higher interest rates.

Prof Pepper believes, however that the key to better performance lies in the rate of growth of the Bank of England's own balance sheet, "which should be agreed annually with the Treasury." This would stop the Bank of *England from providing unlim*ited liquidity to the financial system. The untutored reader will suppose that he has found his free lunch; and Pepper encourages him by pouring scorn on the ability of interest rates to limit bank lending.

Although the monograph is crammed with useful tables and charts, there is none of the Bank of England's balance sheet. The argument appears *to be that if there were a ceil*ing on the assets of the Banking Department, the strain would would be taken by the £1.6bn of bankers' deposits, which are regarded as the base of the banking system. In fact most of the £1.6bn consists of compulsory deposits, which serve no monetary purpose, but are there to provide the Bank of England with an income. To use the remainder *for monetary control* would be like balancing an elephant on the back of a tortoise.

But even if this difficulty could be overcome by higher compulsory reserve ratios (to name another fashionable nostrum) we would be far from home and dry. For how would the banks ration the demand for credit? As neither Pepper nor the IEA favour quantitative controls such as advances ceilings, we are back to high interest rates. This is not mere *a priori* reasoning. In the nearest approach yet seen to monetary base control in the US, three months Eurodollar rates exceeded 21 per cent at the end of 1980, and hovered at around 18 per cent for much of 1981.

There are arguments for targeting the exchange rate, some measure of money, Nominal *GDP, prices directly, or some* combination. But whatever one's preferred intermediate objective, it is wrong to give the impression that monetary growth can be contained and inflation controlled without politically unpopular levels of interest rates. The trick cannot be accomplished.

LETTERS

Why the maple leaf may not wither after all

From Mr John Hayes.

Sir, David Owen's report on the threat to Canada's unity ("A withering maple leaf," April 10) shows he is well informed about the current debate, but I think both he and some of the major players give insufficient weight to "the ties that bind."

Canadians will not watch with equanimity the dismantling of a country that provides through its legislation and traditions a degree of social justice unmatched in either the US or the UK. Canada even has a government-funded health service that works.

One reason for the social justice is the help the federal level gives to the provinces with weaker tax bases. Not only the smaller provinces have benefited but Quebec too. The unwillingness of three provinces to ratify the Meech Lake accord on the constitution reflects concern to maintain federal fiscal and legislative capacity.

The federal union provides economic stability and political guarantees for all provinces. Canadians, including Quebecers, will think twice about entrusting themselves to an independent provincial government with no federal counterbalance.

The union gives Canadians greater negotiating power *vis-à-vis* the US than they would have as individual provinces.

And one should not underestimate the attachment that Canadians have to their country. They do not wave the flag, but they are justifiably proud of Canada, and it is simplistic to say it is a country where regional and not national loyalties hold sway.

It may be broadly true of Quebec and of recently arrived (1949) Newfoundland. But Newfoundland is too poor to separate, and one of Canada's most memorable "Canadians" (Diefenbaker) came from the very regional west.

Canada has its regional tensions and Britain its polarised politics. Without too much ingenuity one could construct a plausible but one-sided argument that Britain is in danger of social disintegration. While disintegration could happen both in Britain and in Canada, the chances are that it will not because in both countries the process of political accommodation has been alive and flourishing for generations, which can be said of only about a dozen countries.

John Hayes,
Research director for the special Joint Committee on Senate Reform 1983/84,
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Heathrow's need for a rail link

From Mr D.M.G. King.

Sir, In his article ("Privatised companies face new pressures," April 17) Charles Leadbeater comments on limitations to airport capacity in the south-east and the standard of transport links to Heathrow.

This overlooks the fact that after the opening of the £400m terminal at Stansted in March 1991, the BAA will have opened three new terminals in the south-east in a span of five years, an achievement unsurpassed by any other airport system in the world.

It is true that Heathrow needs a rail link and that is why we are promoting a Bill in Parliament with British Rail to provide a non-stop train service between Heathrow and Paddington in early 1994 with a 16-minute connection every quarter of an hour.

This £235m project will be financed 80 per cent by BAA, a perfect example of how privatisation creates opportunities since we are now able to borrow money on the open market.

We hope for early parliamentary approval for this much needed project so that we can enhance the level of customer service with interiors specially designed for the air traveller and with *an environmentally* friendly tunnel under the M4.

All this is part of a £2bn investment programme to meet the needs of our customers.

We have worked hard to become the world's leading international airport group and fully intend to keep it that way.

D.M.G. King,
Managing Director,
Airports Division, BAA,
130 Wilton Road, SW1

More power to the mayor

From Mr Dennis Maggs.

Sir, Your editorial comment ("After the poll tax", April 9), raises the question of the role of local government and the factors that should be examined carefully before any Government enacts major changes to funding arrangements.

You speak of electing mayors direct, as happens in other countries of the European Community. As mayor of Dor*chester, I am very conscious of* my ceremonial role, but feel the lack of any real power, compared with the mayors of our twin towns in France and West Germany.

The European Commissioners are about to change the rules concerning the bottling of wine, making it a requirement that this must be done at source and nowhere else. Our brewery in Dorchester, bottles *enormous quantities of French* wine, but if the new rules come into force, this will no longer be possible and many local jobs will be lost.

I have no doubt that the mayors of those towns and communes in France that would benefit from these new rules have been bending the ear of the appropriate Commissioner and will be listened to with respect. We in this country are not used to acting in this way and do not have the clout to do so.

This situation I am sure can be translated into many other areas and unless we adapt to the continental style, as regards the role and executive power of English mayors, I am certain we will lose out as a people, particularly after 1992.

Dennis Maggs,
Mayor's Parlour,
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Dorchester, Dorset

The Ramsey pricing system and justifiable subsidies

From Mr David Sawers.

Sir, Mr Schimmelpfennig (Letters, April 4) misrepresents the reasoning behind Ramsey prices, the pricing system advocated by economists for industries in which marginal costs are *lower than* average costs, when he suggests that it is only efficient when subsidisation is not approved and first-best pricing (marginal cost pricing) is not considered an alternative.

Ramsey pricing has, in fact, been advocated because the need to finance subsidies through taxation makes "first-best" pricing unattainable. William Baumol and David Bradford wrote (American Economic Review, June 1970): "In a world in which marginal cost pricing without excise or income taxes is normally not feasible the solution we have usually considered to characterise the 'best' is none too good, because it is simply unattainable."

They therefore advocated the Ramsey pricing theorem, suggesting that "systematic deviations between prices and marginal costs may be truly optimal because they constitute the best we can do within the limitations imposed by normal economic circumstances." This theorem showed that the optimal system was one which minimised the divergence of consumption from that which would be produced by marginal cost pricing; and that this result was produced by charging more than marginal cost to those consumers who showed the lowest price-elasticity of demand.

In saying that subsidies are only justifiable if they produce benefits to the community as a whole, not just to the consumers of the subsidised service, I am arguing that subsidies should produce substantial benefits for the objectives of society; in the terminology of welfare economics, they would be justifiable if the beneficiaries could compensate the losers.

Discussions about optimal pricing systems and the case for subsidies should acknowledge that the potential efficiency losses though the effect of subsidies on the motivation of staff are far greater than the efficiency gains which could be achieved though optimal pricing. The condition of eastern Europe demonstrates the cost of subsidies.

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FINANCIAL TIMES
Monday April 23 1990

Vilnius says struggle doomed without help from West

By John Lloyd in Moscow and **Hilary Barnes** in Copenhagen

LITHUANIAN ministers, confronted with a collapse of production because of the Soviet blockade of energy, predict that their bid for independence will end if the West does not provide immediate help.

"We must get supplies from the West," said Mr Antanas Mercaitas, the deputy Economics Minister, yesterday.

He added: "If we don't get such alternative supplies, then our struggle is over."

He said the few enterprises still working would have to close within days, putting some 70 per cent of the industrial workforce – 500,000 people – out of work.

Mrs Kazimiera Prunskiene, the Lithuanian Prime Minister who is visiting Scandinavian countries, said in Denmark yesterday that her delegation had received offers of financial support by telephone and telex while in Oslo and that her government was considering opening "independence accounts" in banks abroad to which donations could be made.

But she has been told that *the Norwegian and Danish* states cannot assist directly, although their companies would be free to sell oil and other goods to the republic. This would be for hard currency, of which Lithuania has almost none.

Mr Edgar Savisaar, Estonia's Prime Minister, said in a rally in the republic's capital, Tallinn, on Saturday that Estonia would help, but he later declined to specify how.

In Riga, the Latvian capital, a meeting of 8,000 deputies from every level of the republic's political lifepledged that the Latvian Supreme Soviet, or parliament, would declare independence on May 3, as Lithuania and Estonia have *already done.*

However, the Latvian Popular Front, though achieving a majority in the Supreme Soviet in elections last month, controls only 124 of the 201 seats – 10 short of the two-thirds majority needed for constitutional changes.

In Copenhagen, Mrs Prunskiene said preparations were under way to enable crude oil landed at the Lithuanian port of Klaipeda to be piped to the oil refinery about 100km inland at Mazeikiai, and that this should be possible within the next month. Until the Soviet blockade, Lithuania received its crude oil through overland pipeline from the Soviet Union and it has no oil pipeline from its Baltic port to the refinery. But there is a gas pipeline from the port to the refinery.

Mrs Prunskiene stressed that on her Scandinavian visits – she went on to Sweden yesterday – she had not talked to governments about supplying oil or other practical help.

She said the European Investment Bank had offered $100,000, (£61,000) but it was not clear in what form this would come. European Community officials in Brussels believed it was more likely to take the form of a Lithuanian request than an offer from the bank.

● President George Bush will consult congressional leaders this week on steps aimed at showing US disapproval of the Soviet embargo against Lithuania, writes Lionel Barber in Washington.

The measures under review would put on hold talks between the US and Soviet Union aimed at expanding trade and commercial links.

But the planned superpower summit would not be affected.

Nomad herdsmen get wired for sound

Robert Thomson charts Mongolia's first steps towards a market economy

In an Ulan Bator basement, the country's first private trading house has been assembling the pieces of its most ambitious deal, a swap of local fertiliser and woollen overcoats for 10,000 Chinese personal stereos intended for Mongolia's nomadic herdsmen.

Young workers in white coats at Tsakhim Oyun, which has a staff of 60 after less than a year in the barter business, attach plastic covers, tighten screws and test the sound quality of the "Nine Stars" stereo sets, in the closest thing Mongolia has to an electronics industry.

But Tsakhim Oyun's grand ambitions have overtaken the communist government's still tentative plans to promote private enterprise and stimulate a stagnant economy.

Proof of the problems are nine fertiliser-filled rail cars stranded on the Sino-Mongolian border awaiting an export licence – the fertiliser was to be swapped for computer components.

Founded by former trade officials, the co-operative has put together various elaborate deals with Soviet lumber, Mongolian copper and Chinese solar-powered calculators, and has swapped two Mongolian cooks for two Chinese chefs, who work at its French-Russian-Chinese restaurant in space rented at the local Soviet Friendship Centre.

Mongolia's nomadic herdsmen: businessmen plan to bring music to their ears

In between calls on his portable telephone, Mr Santmaral, the general manager of Tsakhim Oyun, explained that the co-operative has ambitions that extend far beyond Asia, and has already signed agreements with five companies in the Soviet Union, a collection of Chinese firms and a Hong Kong trading company.

"Last July we began thinking about barter trade, and we came across some fertiliser, which we swapped for radio sets in China. We do a good business with the overcoats. The Chinese seem to like outdated fashions, so we can buy them cheaply here and barter them for a good return," Mr Santmaral said.

Problems with the government have arisen in recent weeks, he said, because some officials do not approve of a private company exporting products sometimes in short supply, such as fertiliser, while other officials simply oppose the rise of private companies.

"We are just trying to provide the Mongolian people with electronics products. We would like to assemble television sets, and the personal stereos will be good for students of foreign languages as well as the nomadic herdsmen," Mr Santmaral said.

Tsakhim Oyun, which also runs a Mongolian folk medicine clinic, will soon be in competition with the heavyweights. C. Itoh, the Japanese trading house, plans to open an office in Ulan Bator and other Japanese companies are interested in the raw materials traditionally sold to the Soviet Union at far below market prices.

Mongolian officials are negotiating flights from Japan and South Korea, with whom diplomatic relations have just been established, and trade also flows through East European companies with construction and engineering contracts. One East European businessman boasted that he had imported 10,000 packets of condoms without government approval and made 75 cents profit on each $1 packet.

The Mongolian company would like to expand trade with the 3.5m Mongolians in the Chinese province of Inner Mongolia, but complain that while the cultural heritage is the same, the Inner Mongolians now do business the Chinese way. A Tsakhim Oyun executive said that "we have to be careful when we do business with the Chinese because they think we don't know much and try to take advantage of us."

But the Mongolians are amused by the Chinese taste in overcoats, which are routinely smuggled across the border by individuals without export licences. In a sleeping compartment on the Ulan Bator-Peking train last week, a Chinese Mongolian had attempted to hide 16 suitcases and boxes of overcoats, and told customs officials on the Chinese border that he was "visiting family."

A sudden sprouting of democracy in the barren country this year has produced a Free Labour Party which represents the interests of private co-operatives, such as Tsakhim Oyun, and of state business people with corporate ambitions.

The party argues that Mongolia's geographical position, sandwiched between the Soviet Union and China, puts it in a good position to be the region's trade centre. And its creed demands that "all forms of ownership should be respected and encouraged, and every opportunity should be provided for personal self-fulfillment."

Party activists want a shift in trade away from Eastern bloc countries, which accounted for 93 per cent of Mongolia's $1.75bn in trade last year. The government also intends to diversify the country's trade and is interested in importing "the achievements of world science," but details remain unclear.

Mr Dash Byambasuren, the deputy prime minister, said the government is entitled to deny Tsakhim Oyun an export licence because "it is the responsibility of all governments to determine what is imported and exported." But, he said, the problem of the derailed fertiliser is likely to be "temporary."

THE LEX COLUMN

The rising cost of convertibles

A corner of the London market rich in disasters at present is convertible bonds. The biggest convertible of the lot, British and Commonwealth's £320m issue, has been suspended at a redemption yield of 24 per cent. Saatchi and Saatchi's £176m issue yields 29 per cent. Two more struggling companies, Next and Storehouse, have issues yielding 19 per cent and 18 per cent respectively.

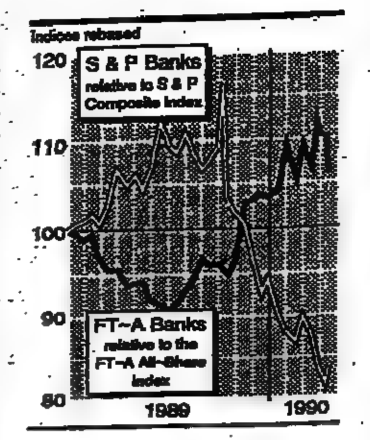
Leaving B & C aside as a rather special case, the others have two things in common. They are Eurosterling issues, a form of finance especially popular in the pre-crash period of 1986-7: and besides being convertible into equity, they can be put back to the company for cash in two or three years' time. In the case of Saatchi in particular, the market has lost any belief that the equity will be worth converting into. It also suspects, rightly or wrongly, that the company will have difficulty coming up with the cash.

It would not do to exaggerate. Most Euroconvertibles of this type yield between 15 per cent and 16 per cent, which is the sort of premium to comparable gilt yields expected for straight corporate debt. A really successful issue like United Biscuits, where the conversion into equity is still attractive, yields four percentage points below the relevant gilt.

It is still possible to make issues of this kind, as Boots showed three months ago. But as ADT also demonstrated recently, it is getting harder. Even after the crash, the attraction of such issues was that they introduced a bond element to make good the uncertainty over the value of the equity. But the market's new-found inflationary psychology has now taken the value out of the bond element as well. For the borrower, the attraction of Euroconvertibles was that they allowed a low running yield without too high a penalty at the end. Now the risk is that the market will revert to its traditional preference for the kind of instrument the financial director likes least: the straight high-coupon long-term debenture, tightly secured against assets.

Bank shares

The big banks on both sides of the Atlantic have always been a lowly rated bunch, but it is a long time since there has been such a marked divergence in the stock markets' perceptions of their relative value. In the year to end-March, UK banks outperformed the market by nearly a fifth and their relative yield premium to the market has dropped from over 50 per cent, to less than a third. By contrast, US bank shares have underperformed Wall Street by 25 per cent since October, and Citicorp, the market leader is yielding 7.6 per cent – more than twice the US market and 1.1 percentage points above the UK bank average.



The changing fortunes of the big banks are highlighted by their respective stock market capitalisations. Whereas Barclays still ranks amongst the ten biggest UK firms, its larger US rival, Citicorp, has sunk to 84th in size in the US. The stock market value of J.P.Morgan, the premier US money centre bank stock, is smaller than that of Toys"R"Us, and the combined value of the six New York money centre banks, is considerably less than that of the Big Four London clearing banks, notwithstanding the fall in sterling. Several well known US banks are yielding comfortably more than their 10 per cent prime lending rates.

Admittedly, last week's first quarter results from the US banks were pretty terrible, with earnings of Citicorp and Chase Manhattan, for example, falling by over 50 per cent, and Moody's threatening to downgrade Citicorp's debt has not helped sentiment. Worries about increasing domestic provisions have overtaken Third World lending as the primary investor concerns.

Nevertheless, the higher rating of the UK banks, compared with their US counterparts, is a little surprising. After all, US interest rates have been falling over the last year, while long-term rates have risen by 25 per cent in the UK. The US economic slowdown has been nowhere near as marked as in the UK, and inflation is less of a problem. US banks are currently feeling more pain than their UK counterparts for a couple of reasons. Clearly, the problems in the US real estate industry are far more pronounced than anything that is likely to surface in the UK. However, US regulators are also being far more aggressive about credit standards than before, and one can only wonder whether UK bank lending would have remained as robust as it has for so long, if UK regulators had adopted a similar policy.

BTR/Norton

Legally, BTR's $1.6bn tender offer for Norton is now in uncharted waters, for two reasons. The first is the new anti-takeover statute law enacted in Massachusetts last week, which means only one-third of Norton's directors can be dislodged at this Thursday's shareholders' meeting. The second problem is a federal lawsuit filed by Norton's lawyer, Mr Martin Lipton. His firm thinks it has found a way of invoking an earlier Massachusetts anti-takeover statute, dating from 1987. BTR has received acceptances of its tender offer from holders of 64 per cent of Norton's stock. By some subtle reasoning, Wachtell Lipton argues that this means BTR has already broken the 1987 law; and according to Norton's supporters this could at best bog BTR down in a year of litigation, and at worst scupper the whole bid.

At this point, UK investors in BTR should not panic. But neither should they dismiss the legal manoeuvres as an irrelevance. Even if BTR wins a significant majority in the shareholder vote at Thursday's meeting, it looks likely that the result's validity will be challenged, using Wachtell Lipton's interpretation of the 1987 statute. In addition, Norton is almost certain to try wheeling out last year's Delaware decision in the Time/Warner/Paramount case, which said a target company could "just say no" to a hostile bid.

Tactically, there are two key things to watch for this week. BTR's lawyers, Sullivan & Cromwell, probably have to make sure they keep the litigation in the US federal system, and out of state courts. This is partly because the federal appellate judiciary in the 1st Circuit, which covers Massachusetts, have a reputation for free-market views; and partly because, to date, they have acted quickly on BTR/Norton, and shown little patience with sophistry. The second point is that BTR needs as big a victory as possible at Thursday's meeting, to keep up the psychological pressure on Norton's directors.

Glaxo and Astra battle over ulcer drugs

By Charles Leadbeater, Industrial Editor, in London

GLAXO, Britain's largest pharmaceuticals company, has plunged into a battle of unprecedented ferocity over the safety and potency of Zantac, the world's leading ulcer drug, and that of Losec, a competing drug made by Astra, the Swedish medicines group.

This weekend, Astra flew almost 700 ulcer specialists from around the world to London to hear a sustained attack on controversial Glaxo research on Losec, new evidence which casts doubt on Zantac's safety and impressive findings on Losec's superior healing powers.

They were given ringside seats for the latest round in a battle in which scientific research and marketing are becoming almost indistinguishable. The contest is being conducted in an atmosphere thick with bitter accusations of flawed research and selective presentation of findings.

The row, which Glaxo started in February by publishing research on Losec which suggested it damaged genetic material in rats, making them more susceptible to cancer, could have serious consequences for the company which depends on Zantac for half its annual sales of £2.6bn ($4.2bn).

Losec, the first of a new generation of ulcer drugs, is one of Zantac's fastest growing competitors, having taken a 20 per cent share in some markets. Losec's growth is particularly galling for Glaxo because it is similar to drugs which Glaxo scrapped after costly research because it said they were unsafe.

At stake is the safety of millions of people who take the drugs and the reputations and revenues of the companies that make them. Between 15 and 20 per cent of the population of the developed world suffers an ulcer at some point in their lives, creating a world market of $6bn a year for ulcer drugs.

When Glaxo published its findings, it was considered unprecedented for a drug company to have carried out lengthy laboratory tests on a competitors' product.

However, Astra disclosed that for three years it has been conducting secret studies on ranitidine, the basis for Zantac, which found that it caused carcinoids, cancer-like growths in rats' stomachs. Similar results for Losec led the US Food and Drug Administration last year to limit its use to severe ulcers.

To rub salt in Glaxo's wound, the Swedish company has forwarded its findings on Zantac to all drug regulatory authorities around the world.

Glaxo described Astra's activities as extraordinary and dismissed the research findings, which it said were based on a dosage 500 times the normal human intake. Glaxo said: "It would be like giving a human 1,000 tablets a day for two years. Zantac has been used in 150m patient treatments entirely safely."

Astra then turned on Glaxo's research into the way Losec might damage genetic material, a common precursor for cancer. It accused the UK company of witholding its full findings, which showed that as the dose of Losec was increased the effects tailed off. Moreover Glaxo's findings were based on results from just three rats.

Glaxo retorted that it had got the same result from 20 experiments. One specialist at the conference cast doubt on Astra's openness, questioning why it had not published evidence that a rat had developed a full stomach cancer after being given Losec for a year.

Several leading cancer specialists also set out to systemically demolish Glaxo's studies on Losec. Prof Nick Wright of the Imperial Cancer Research Fund said: "This method is seriously flawed, badly controlled and very unsatisfactory. Glaxo has to do a lot more work before it even gets off the starting blocks."

After devoting unprecedented resources to studying one another's drugs the two companies are probably even. There are lingering doubts over Losec's safety and whether it should be confined to treating severe ulcers. But Astra's weekend broadside will put Glaxo on the defensive and the affair has ironically made Losec much better known.

US hostage set free in Beirut

Continued from Page 1

follows strong indications from Tehran that it is anxious to deal with a hostage problem which it sees as an impediment to an improvement in its relations with the West.

Mr Ali Mohammed Besharati, Iran's first deputy foreign minister, said last month that his government was working for "the release of one hostage as a goodwill gesture."

Yesterday's release appears to confirm that elements in Iran associated with the relatively-pragmatic president, Mr Ali Akbar Hashemi Rafsanjani, are serious in their desire to begin unravelling the vexed hostage problem.

The hostage-release follows days of intense diplomatic activity in Damascus involving Syrian, Iranian and US officials since the IJLP announced last Wednesday that it was freeing one of its three American captives within 48 hours.

Hopes were dashed on Thursday of a release by Friday when the kidnappers announced they were postponing indefinitely their plans to let one of their hostages go.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	R	14	57	Dallas †	C	21	70	Madeira	S	17	63	Prague	[illegible]	12	54
Algiers	F	19	64	Dublin	C	11	52	Madrid	F	8	46	Reykjavik	C	0	32
Amsterdam	S	17	63	Dubrovnik	F	19	[illegible]	Majorca	C	16	61	Rhodes	S	22	72
Athens	S	21	70	Edinburgh	F	12	54	Malaga	S	19	66	Rio de Janeiro		–	–
Bahrain	S	28	82	Faro	F	17	63	Malta	S	23	73	Rome	F	14	57
Barcelona	F	13	55	Florence	C	14	57	Manchester	S	14	57	Salzburg	S	15	59
Belfast	C	11	52	Frankfurt	F	16	61	Melbourne	C	17	63	S'Francisco †	C	12	54
Belgrade	S	19	66	Geneva	S	13	55	Mexico City		–	–	Santiago		–	–
Berlin	F	17	[illegible]	Gibraltar	F	19	66	Miami †	S	22	72	Seoul	R	13	[illegible]
Biarritz	C	11	52	Glasgow	S	12	54	Milan	R	11	52	Singapore	F	32	90
Birmingham	C	11	52	Guernsey	C	10	50	Montreal †	C	5	41	Stockholm	S	15	59
Blackpool	C	13	55	Helsinki	F	15	59	Moscow	C	13	55	Strasbourg	R	8	46
Bombay		–	–	Hong Kong	C	29	84	Munich	F	13	55	Sydney	S	23	73
Bordeaux	R	10	50	Innsbruck	F	17	[illegible]	Nairobi		–	–	Tangier	F	16	61
Boulogne	F	14	57	Inverness	S	13	55	Naples	C	18	64	Tel Aviv		–	–
Bristol	C	10	50	Isle of Man	S	12	54	Nassau		–	–	Tenerife	C	20	68
Brussels	S	17	63	Istanbul	S	19	66	Newcastle	C	12	54	Tokyo	R	16	61
Buenos Aires		–	–	Jersey	C	11	52	New Delhi		–	–	Toronto †	S	6	43
Budapest	C	12	54	Johannesburg	S	19	66	New York †	S	11	52	Tunis	[illegible]	19	66
Cairo	S	25	77	Las Palmas	C	19	66	Nice	C	13	55	Valencia	F	18	64
Cape Town	C	16	61	Leeds	C	11	52	Nicosia	S	21	70	Venice	F	15	59
Cardiff	C	11	52	Lisbon	R	13	55	Oporto	S	14	57	Vienna	C	10	50
Chicago		–	–	Locarno	C	12	54	Oslo	F	14	57	Warsaw	F	15	59
Cologne	F	17	63	London	C	12	54	Paris	F	14	57	Washington †	S	12	54
Copenhagen	S	16	61	Los Angeles †	F	12	54	Peking		–	–	Wellington	F	11	52
Corfu	C	18	64	Luxembourg	C	12	54	Perth	C	20	68	Zurich	[illegible]	14	57

C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder
† Noon GMT temperatures

EC leaders ready for commitment

Continued from Page 1

-port for the plan put forward by France and West Germany to increase the power of community institutions and develop common foreign and security policies by 1993.

There is general surprise at the speed at which the issue of political union has leapt to the top of the EC agenda, overshadowing the question of German reunification, the original topic for discussion at the Dublin summit.

It is still uncertain whether the summit will make a formal decision to launch a special Intergovernmental Conference on political union, to be held concurrently with an IGC on European Monetary Union in December, or whether it will simply take the more modest step of asking EC foreign ministers to hold further discussions.

Some other countries shared Britain's scepticism about the timing and content of the Franco-German initiative - but significantly there was no outright rejection of the idea.

Most of the running at Saturday's meeting was made by Mr Roland Dumas, the French Foreign Minister and his German counterpart, Mr Hans Dietrich Genscher, who presented a united vision of a new Europe beyond 1993.

The idea for rapid political integration in the EC was first outlined by Mr Helmut Kohl, the West German Chancellor and Mr François Mitterrand, the French President, in a statement last week.

In a highly unusual joint press briefing at Saturday's meeting Mr Dumas and Mr Genscher talked of the need to make "a quantum leap" towards political union. "In the light of what is happening in Europe the moment is particularly opportune to advance the Community in this direction" they said.

Mr Dumas said that the Franco-German proposals had met with "a very favourable response."

FINANCIAL TIMES
COMPANIES & MARKETS
Monday April 23 1990

INSIDE

Spain gives Banesto a timely tax gift

The Spanish Government has made Banco Espanol de Credito (Banesto) a tax gift of Pta19.2bn ($180.4m) (£116m) to help the bank merge its industrial and financial services interests into one unit. The new group will account for just over 1 per cent of Spain's gross domestic product and easily become the country's largest private sector industrial group, reports Peter Bruce. Page 27

Investors loyal to the last

Molins, the cigarette machinery and packaging group, seems to inspire a peculiar loyalty in its investors. Since 1985 shareholders have resisted five attempts, including increased offers, by outside bidders to take over their company. Andrew Hill talks to Michael Wright, managing director of Molins (left), about the latest hostile attempt – a £76m ($124m) cash offer from the publicity-shy US group Leucadia National Corporation. Page 30

Industry goes soft

Throughout manufacturing industry, software is starting to assume greater importance at the expence of hardware. Not just in computers, but also in cars, consumer electronics, telecommunications. This means, argues Charles Leadbeater in the Business Column, that companies will have to change the way they manage. Page Back Page

Anglo American

Gavin Relly, mentioned in this column on Friday as head of Anglo American Corporation, retired as chairman on March 31. He was succeeded by Mr Julian Ogilvie Thompson.

Market Statistics

Companies in this section

Magic ingredient for an outdated market

Janet Bush, Stephen Fidler and Deborah Hargreaves look at ruling which may alter US public securities trading

THE PACKAGE of rule changes passed by the Securities and Exchange Commission on Thursday could change the face of the US financial marketplace.

Hailed by some as the most significant change in US securities laws since the 1930s, the long-awaited measures – which come into effect this week – will provide a competitive boost to the US financial markets.

They will make it much easier for foreign companies to tap US sources of capital without subjecting themselves to the onerous registration requirements of the SEC, the securities industry regulator.

They will also provide a further spur to growth in the market for private placements, where securities are sold to big US institutional investors on the basis that they cannot be sold to the public at large. Even without the new rules, the market has expanded every year over the last decade – from $15.8bn in new issues in 1980 to $170bn last year. That could grow, according to some predictions, to $250bn this year, surpassing the Eurobond market.

The new Rule 144a abolishes restrictions which prevented the resale within two years of privately-placed securities in the US. In addition, the SEC also gave the go-ahead last Thursday for the mechanism to trade and place these securities – Portal, an automated screen-based market to be provided by the National Association of Securities Dealers (NASD).

The rule changes are likely to be particularly significant for foreign companies wishing to issue equity but which have in the past been put off by the SEC's onerous reporting requirements. They will also ease the direct placement of bonds into the hands of US investors, potentially providing competition to the London-based Eurobond market.

Orlka Borregaard of Norway, an industrial company with a large investment portfolio, has already indicated it may take advantage of the new rules by placing some of an international 2¼m share offering in the US.

But while the new rule presents foreign companies with improved opportunities to issue shares in the US, it should not be seen as a sponge for soaking up just any offering.

US institutions are cash-rich and hungry for foreign equities but they "have got to feel as if they own a stake in the company", says an official at Shearson Lehman in London. "If you want to sell equity into 144a and then disappear – forget it."

Selling their own shares abroad will prove easier for some companies than for others. Rules on pre-emption rights mean many West German companies will have to buy back their own shares to sell them into the US. London's archaic clearing system will make it more difficult for UK companies to place shares in the US through Portal. But in some areas, particularly in continental Europe, the impact could be large as US investors want to benefit from the single market in 1992.

The spur for the SEC actions were summed last Thursday by Mr Richard Breeden, the SEC chairman. "These rules will have a profound and beneficial effect on the ability of issuers to raise capital in the context of today's global marketplace and enhance the competitiveness of our domestic market. The result should be a lower cost of capital in our markets."

Many Wall Street firms are euphoric about the prospect of what they see as a lucrative market. But there are others who believe that the rule will make it easier for institutions to ignore Wall Street by accelerating the trend for issuers to sell securities directly to these investors.

The SEC conceded to established exchanges that it will not allow the private placement of listed securities. But an efficient private placement market will allow institutions to sidestep the public markets more easily.

James H. Coxon, senior vice president at Cigna Investments, which manages $66bn of assets – almost $10bn of which are in privately-placed securities – says that institutions welcome the changes in part because they have grown disaffected with the public markets and with Wall Street securities houses.

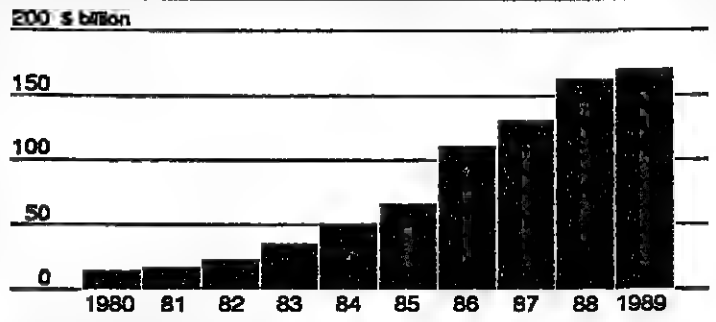
Servicing institutional clients has become a small part of of the business of many on Wall Street, who are seen as manipulating the public markets through index-arbitrage and other techniques that have added to volatility.

Their "merchant banking" strategies have shrunk the public markets as leveraged buy-outs took companies private, and stock market volatility has encouraged those companies that remained to buy back their own shares. This is perceived as damaging the access of American business to capital.

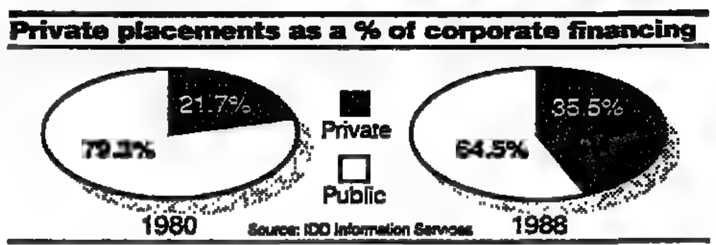
Like small investors, investment institutions are disenchanted with the public share markets. Unlike them, they can do something about it. By giving a spur to the private placement market and establishing it as real competition to the public exchanges, the new rules could be the catalyst which forces overdue change on the US public securities markets.

Details, Page 28

Private placement market size



Private placements as a % of corporate financing



Source: IDD Information Services

Is US inflation cholesterol-free?

By Anthony Harris in Washington

FIRST, a blue thought on a green day. Earth Day, American style, might well be rechristened Paranoia Sunday.

The cause is good, and many of us have been pursuing it with some effect for the last four decades. Salmon have returned to the Thames and the Hudson; you can breathe the air in the streets of Washington with comfort while on your way to enjoy the virgin forests flourishing on the eastern seaboard of the US.

Car pollution is down by well over 90 per cent, there are more trees every year, and you might suppose that Earth Day would be something of a celebration. Not a bit of it. The appetite for interference simply grows with feeding.

The Administration feels politically compelled to support a Clean Air bill which will do more for inflation than for respiration, reassuring its business friends that it will restore sanity by amendments later.

Everybody happy? No. The Greens complain that the bill is still too weak; nobody knows if sane amendments will pass. Meanwhile, the real threats to a sustainable eco-system – the exhaustion of water resources and the persistence of dust-bowl farming methods – are not addressed. It looks too expensive.

The best hope of reducing global warming, if the globe is indeed warming, is barred. Nuclear power, potentially clean (but potentially dangerous) cannot even be discussed in a nation of health neurotics.

Americans are living longer and much healthier lives; indeed, they have probably done more for Planet Earth by giving up over-eating than by all the green initiatives. But again, you wouldn't believe it. The healthier they get, the more they worry. The only likely relief may come from the animal rights people: if they could stop the health-worriers from inventing new carcinogens by poisoning laboratory rats, we might all be able to munch our oat-bran muffins in peace.

The rival worries can interact ludicrously. Some of the health people, for example, now worry – on no clear evidence – that the catalytic converters which have cleaned up the air cause cancer. This should be a hot-selling item in the phobia store invented by Garrison Keillor, an affectionate and reliable guide to US neuroses.

To conclude this grumble, consider the diaper saga. Many years ago mothers learned with delight that old-fashioned nappies, such a chore to wash, gave babies skin trouble. Disposables – and recently, bio-degradable disposables – took over. Then the environmentalist started sinking bore-holes in landfills and finding them full of diapers. Green parents revived the washable nappy. Final (?) twist: someone has calculated that washing washables should be stopped on account of global warming....

Meanwhile, the real business of America is becoming rather less subject to fads and neuroses. This is partly the calm radiated by President George "Gone Fishing" Bush, but mainly because the news from the real economy has become so monotonous. The monotony is artistically presented in the regular reports on economic trends which the Council of Economic Advisers (CEA) is compelled by law to present to the Joint Economic Committee of Congress. Simply by using a rather compressed vertical scale (very unlike the approach of newspaper chartists), the CEA has been able to present a book of virtually straight lines, sloping gently up to the right. That should keep them quiet.

One class of people finds this calm worrying: monetarism thrives on Doomsday scenarios, and the apparent success of the Fed's pragmatic fine tuning was robbing quantity theorists of their audience. The bad inflation figures last week unleashed a little bit of I-told-you-so, but not much. Unfortunately for their credibility, the monetarist charge had been that Fed policy was too tight. The simple squeeze-it-out school of thought – what Denis Healey called sado-monetarism – is still alive and vocal. It is represented in the Fed by the regional bank presidents appointed under Mr Paul Volcker.

Mr Robert Perry of the San Francisco Fed, the hardest of these hard-liners, responded to the retail price figures by calling on the Fed to cap real growth at two per cent annually, and keep it capped. History knew of no example, he said, of inflation eliminated by a growth pause; it would take a long period of some slack. No historian is likely to argue with Mr Perry; but it is still open to those who are not central bankers to query his basic premise, and ask: are stable prices all they are cracked up to be?

There are two fundamental arguments in favour of inflation, so long as it is fairly stable. The pragmatic case is simply that it seems to work, as witness not only Japan in its most dynamic phase, but Italy, France, and even the Reagan period here, marked by sustained growth and steady inflation of about four per cent. The theoretical case is simply to remember that inflation is not just a state of mind, but an adjustment process. In some circumstances it is a problem, but in others a solution. The problem it solves in a dynamic economy is to distribute the benefits of improved productivity in one sector to the economy in general. Thus, when in Japan the manufacturing sector was achieving productivity gains of the order of 15 per cent annually, the rest of the economy was (and still *is*) performing in a rather British style.

Why, then, did not Japan become a nation of blue-collared yuppies and impoverished hairdressers? Because the gains were shared through a very simple formula. Wages also rose at 15 per cent; prices, because of the laggards, rose at 7.5 per cent. Hairdressers prospered, and wholesale prices of manufactures were completely stable. This adjustment problem is one which faces any dynamic economy, especially as manufacturing becomes more capital-intensive, and demand switches progressively to labour-intensive services. There are other solutions: falling prices in manufactures (as seen dramatically in electronics), or much wider share ownership; but a gentle inflation led from the service sector, the US experience, is also a workable answer.

The worm in this apple (and remember that a worm in your apple shows it is chemical-free) is that the inflation rate gets built into interest rates; and that, according to the manufacturing lobby here, is a major cause of short-sighted management and under-investment. Maybe. But perhaps the cause is a tax system which uniquely penalises equity capital. Treasury Secretary Nicholas Brady says he is looking into this, which unfortunately arouses only modest hopes. Mr Brady asks the right questions; but he is not so good at answers.

Economics Notebook

Golden opportunity for Baltic states

THE WAR of nerves between Lithuania and the Soviet Union is being followed with more than usual interest by monetary officials in the leading industrialised nations.

For if Lithuania and the other Baltic states achieve independence from the USSR, some tricky questions will have to be resolved by western treasuries and central banks, not least in Britain.

The whereabouts of the former gold reserves of Lithuania, Latvia and Estonia would be one obvious issue to be raised by the authorities of future independent Baltic states. A lesser, but intriguing question, concerns the relationship of these countries with the Bank for International Settlements (BIS), the Basle-based central bankers' bank.

At the start of the Second World War, many European countries shipped their monetary reserves abroad. It has been reported that gold belonging to the central bank of Lithuania was placed with the US Federal Reserve, the Bank of France, the Bank of England and the BIS in Basle.

Independence for the Baltic states could place the British authorities in an especially awkward position. Unlike the Bank of France, which still holds Lithuanian and Estonian gold and is prepared to hand it back to legitimate successor states, the Bank of England no longer has the gold entrusted to it by the Baltic central banks.

The Bank was forced to sell the 460,220 fine ounces of gold belonging to the three Baltic states under a 1968 settlement of mutual financial and property claims between the Governments of Britain and the USSR.

The proceeds – some £5.8m ($9.5m) – were paltry compared with the £105m that such holdings would be worth today.

The British action in 1968 contrasts strikingly with the attitude of the BIS, which the Bank of England helped to found in 1930. If the Baltic nations do achieve independence, their central banks should be able automatically to rejoin the BIS despite a lapse of 50 years.

The BIS is the only important forum of economic co-operation which dates from before the Second World War. Despite the 1940 Soviet occupation of the republics, subsequent global conflict and cold war, it has – in a rather doggedly Swiss way – remained open to the possibility of the three Baltic states returning *to* the fold.

The central banks of Lithuania, Latvia and Estonia were BIS shareholders in the 1930s. According to the ninth annual report of the BIS, published in May 1939, the Lithuanian and Latvian central banks held 500 shares each while Estonia's holding in the BIS was 100 shares.

They were clearly not big players in international financial affairs. A holding of 500 shares amounted to just 0.25 per cent of the BIS stock outstanding in 1939.

But their rights were preserved when, as an act of policy at the start of the war, the BIS board decided "to refrain from any act implying recognition of political or territorial changes which had not previously received unanimous recognition."

Meanwhile, mystery surrounds the whereabouts of BIS share certificates issued to the three banks.

It is unknown whether they are held by the Soviet Union, because Moscow seems never to have tried to use the shareholdings to gain access to BIS meetings.

Soviet central bankers have been occasional visitors to the BIS headquarters in Basle, but that is because the Soviet Gosbank has a business relationship with the BIS.

Ecu Revival

The European Currency Unit, the weighted average of EC currencies which some officials in Brussels consider a European currency in embryo, is coming back into fashion on world capital markets.

Despite steady growth in recent years, the market for bonds and other paper denominated in private Ecus has often been criticised as volatile. It has also had to live with ill-disguised hostility from the West German Bundesbank.

However, the Ecu increasingly seems to be winning over risk-averse investors such as the Swiss and some multi-currency fund managers.

A broader selection of Ecu investment vehicles – ranging from the British Government's Ecu Treasury Bills to the five, seven and 10-year bonds offered respectively by the Spanish, French and Italian Governments – combined with stability in the European Monetary System have given it some of the attributes of a high-yielding Deutsche Mark.

The private Ecu market was given extra support earlier this month when EC central bankers backed contingency plans that would prevent the inter-bank clearing system for the Ecu from break down if one or more banks were unable to square their accounts.

The plans are technical and rather hypothetical as the Ecu clearing system, which is run by 45 private banks, has so far operated without difficulties.

But both the Bank of England and Bank of France have said they would be prepared to act as lenders of last resort to Ecu clearing banks if necessary, giving additional respectability to the Ecu.

Peter Norman

THIS WEEK

INFLATION fears in the US and UK are likely to dominate the markets this week and increase uncertainties surrounding forecasts for the whole economy.

The UK financial markets are becoming agitated about the rate of inflation – generally expected to pass 10 per cent – to be revealed in the April retail price index. The mood is that double-digit inflation could last until November. Wage settlements above the rate of inflation – currently 8.1 per cent – are also playing a part. In the US, worse-than-expected consumer price inflation has been causing disarray in the Treasury bond market.

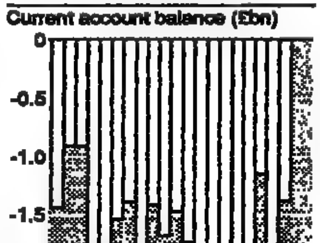
The trade figures on Wednesday are the most significant UK statistics. The markets expect stagnant domestic demand will have helped to slow the rate of import penetration in March. The consensus of analysts' forecasts recorded by MMS International, the financial research company, is that both the trade deficit and the current account will total £1.3bn ($2bn). It is expected that the non-oil deficit will narrow to £1.4bn, and the invisible balance of earnings on goods and services will remain at zero in March.

The UK money supply figures, released today, are predicted to fail to meet the Treasury's target range. But analysts are pointing to heavy interest charges and corporate lending at the end of the quarter to explain a probable surge in bank and building society lending.

In West Germany this week, on no scheduled dates, are the release of M3 money supply, import prices and cost of living figures for March.

Today: UK, provisional money supply figures for March, cyclical indicators for March: MO, notes and coins in circulation (0.3 per cent), M4, bank and building society lending (1.4 per cent). Japan, retail sales for March. Luxembourg, EC economic and finance ministers meet.

UK trade deficit



Tomorrow: UK, new building society commitments for March (£4.1bn). US, employment cost index, first quarter, 1990, durable goods orders, March (1.95 per cent). Washington, EC President Jacques Delors addresses the National Press Club, first quarter employment cost index (1.5 per cent). France, trade balance for March (FFr2bn deficit).

Wednesday: UK, visible trade balance (£1.3bn deficit) and current account balance of trade (£1.3bn deficit) for March. US, Alan Greenspan, chairman of the Federal Reserve, testifies before the Agriculture Committee, two-year note auction, auto sales.

Thursday: Japan, industrial production for March (1.5 per cent). Governor of the Bank of Japan holds press conference. US, money supply figures for the week ending April 16, import and export price index of March. Australia, export price index for February.

Friday: US, real gross national product (2.3 per cent) and the GNP deflator (5.5 per cent), one-year bill auction announced, corporate profits after tax, fourth quarter, housing vacancies, first quarter, bank credit for March. Japan, unemployment for March.

Saturday: EC leaders meet in Dublin.

CORPORATE FINANCE

SEC likely to extend participation

THE changes agreed last week to the rulebook of the US Securities and Exchange Commission showed the regulator responding favourably to suggestions to broaden participation in the market for privately-placed securities and to enhance trading in the issues.

According to those who attended last week's meetings, there was also an emphasis that the changes were only the first of a programme to bring down barriers to foreigners in the US market.

The most significant change for US investors is that the SEC has effectively lifted its 10 per cent limit on holdings of private placements – formerly classified as illiquid securities – by mutual, pension and open-ended investment funds. Now the board of each fund can decide what proportion of its portfolio will be devoted to private placements, opening up a much larger body of investors for the securities.

In a move intended to improve trading of private placements, the SEC also decided to lower the capital requirement – or "haircut" – for dealers' inventories of private placements. Formerly, dealers had to hold capital equal to the total value of any private placement. Now they will only have to count 15 per cent against their capital for equities and a similar amount for investment-grade fixed-income securities. However, the lower haircut will not apply to securities regarded as non-investment grade by two recognised credit rating agencies.

Another late modification was that, to qualify under Rule 144a, banks and savings and loans institutions would have to have a net worth of $25m as well as have $100m in holdings of securities. One broker attributed this to "a desire to keep the savings and loan riff-raff from plundering the private placement market."

Other institutions simply have to hold $100m in securities, giving access to the market to more than 2,000 institutions. But to encourage dealers the SEC lowered the capital requirement from $100m, as earlier proposed, to $10m.

The SEC has also lifted previous restrictions on reselling securities outside the US. In fact, privately-placed securities will be saleable overseas in 17 recognised foreign stock exchanges, to be specified. But they may not then be sold back.

Another significant development last week, according to Mr Jim Stewart, managing director of S.G. Warburg in the US, was a firm promise from Mr Richard Breeden, the SEC chairman, that the commission would start immediately to examine whether foreign companies with existing US ownership of their shares should be allowed to execute subscriptional offers in the US such as rights issues and dividend reinvestments.

Mr Stewart applauded this, noting that, for example, British Airways could not offer its issue of convertible securities last year to its substantial body of US shareholders. Mr Andrew Clearfield of the College Retirement Equities Fund, a pension fund which manages $34bn, said that this would provide an important missing link.

One of the most crucial elements of the decision was to allow the National Association of Securities Dealers to go ahead with Portal, its trading system for private placements.

Portal will be a closed system, which will allow any institution dealing on it to know that its counter party is also a qualified institution. It is meant to be used to distribute new issues and as a secondary market. Some institutions believe it is the establishment of a standard US distribution network, rather than the notion of a liquid secondary market, that will encourage previously reticent US institutions to buy foreign stocks.

Portal will have the market to itself initially. However, the American Stock Exchange has its own version, Situs, which it says it is developing with an unnamed "worldwide vendor."

Rules governing the private placement market were not the only ones to change. According to Mr Edward Greene and Mr Dan Braverman, of the US law firm Cleary, Gottlieb, Steen and Hamilton, the new Regulation S simplifies the rules for offerings overseas for many companies, both US and foreign.

It no longer attempts, as the old rule did, to prevent US nationals overseas from buying securities not registered with the SEC. And it no longer forces US securities firms to go overseas to become involved in such offerings.

A combination of the rule changes would seem likely to make it easier for companies to combine an overseas offering with a US private placement. But the impact will be more significant on the equity market than on the international bond market.

Regulation S does get rid of the old 90-day "lock-up," where Eurobonds had to be seasoned for 90 days before being sold to US investors. Now there is a 40-day restricted selling period.

But the ability to offer Eurobonds to foreign investors and in a US private placement at the same time will be obstructed by the US Internal Revenue Service. The reason is its long-term aversion to bearer bonds – the form in which most Eurobonds are issued – which it sees as a vehicle for tax evasion.

Previously the treatment of such issues by the IRS and the SEC was in line. Now, according to Mr Greene of Cleary, Gottlieb: "The changes have divorced the tax side from the securities side."

This sets a precedent that some see as disturbing: that the SEC's efforts to streamline the interaction between the US and the international markets could be hobbled by the tax authority.

Additional reporting by Janet Bush and Deborah Hargreaves

Stephen Fidler

Daily Mail in CP issue

By Stephen Fidler, Euromarkets Correspondent

THE Daily Mail and General Trust has established a £100m sterling commercial paper programme arranged by NatWest Capital Markets.

The programme, which has a US dollar option, will be used for general financing requirements. Midland Montagu and Morgan Grenfell are also dealers.

● **MacMillan/McGraw-Hill School Publishing Company,** the joint venture between MacMillan and McGraw-Hill which is the largest school publishing company in the US, has signed a $225m credit with a group of international banks.

The three-year revolving credit was arranged by Lloyds Bank Capital Markets.

● **Unibank** has signed a $2.5bn Eurocommercial paper programme, rated A1 by Standard & Poor's. The arranger was Citicorp Investment.

Unibank was formed by the merger of Handelsbanken, Privatbanken and Sparekassen.

INTERNATIONAL BONDS

Spain moves to unusual prominence

THIS morning's expected launch of an Ecu500m five-year issue by the Kingdom of Spain has put the Spanish bond market into a position of unusual prominence. According to analysts it marks the culmination of recent efforts by the Spanish Government to liberalise the peseta debt market in the hope of attracting more capital into the country.

In the short term the focus will be on today's issue. On Friday syndicate members said the likely terms suggested a 10¾ per cent coupon and an issue price of 100.90, giving a yield at less 1⅞ per cent full fees of 10.98 per cent.

Assuming the market holds at current levels, syndicate officials are confident of strong demand for the paper.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	630	0.0	0.0	9,922.9
Prev	545.0	200.0	125.0	11,100.3
Other	2,060.3	0.0	278.0	4,311.3
Prev	580.6	115.0	0.0	4602.6
Secondary Market				
US$	9,112.2	724.7	2,773.1	5,003.5
Prev	13,389.1	808.4	3,270.6	7,304.4
Other	20,207.4	568.8	4,494.6	29,855.7
Prev	18,957.2	974.7	5,463.4	40,619.7

	Cedel	Euroclear	Total
US$	9,909.9	18,256.5	28,166.4
Prev	12,357.4	24,385.4	36,742.8
Other	27,024.0	34,752.1	61,776.1
Prev	29,424.0	41,889.2	71,313.2

Week to April 20, 1990. Source: AIBD

It is not every day that a sovereign credit launches a large, liquid issue offering a premium to prevailing sector interest rates. However, perhaps inevitably, political considerations appear to have played a large part in the Spanish Government's decision to appoint two domestic banks, Banco Bilbao Vizcaya and Banesto, as lead managers of the issue.

On a normal domestic deal this would attract little attention. With Ecu as the chosen currency, despite the deal's technically domestic character, leading international banks in the Ecu Eurobond market have been able to make strong claims for their own distribution capabilities over those of Spanish banks, which have an insignificant historical presence in that market.

This, combined with an unusual interest rate differential, has made today's deal a subject of strong debate.

International banks, six of which are senior co-managers pledged to distribute Ecu25m each, expect to handle the bulk of the paper.

While the Spanish Government, like its French counterpart, is keen to encourage the development of a domestic Ecu market, the current interest rate environment means Spanish investors are unlikely to buy much of today's issue.

Spanish interest rates for five-year funds are around 15 per cent, compared with Ecu rates of less than 11 per cent.

This gives no incentive to peseta-based funds which would face a currency risk in addition to the negative rate differential.

By contrast, in France investors have an obvious yield pick-up when they buy Ecu bonds, and this has helped the steady growth of the government's Ecu borrowing programme. The likely lack of domestic interest is thus at odds with the deal's domestic status.

The decision by the lead managers to adopt the fee structure typical of the Matador market has annoyed the foreign banks because they will have to give up ⅛ point of their underwriting fees in the form of a *praecipuum*, that is a fee taken by the lead as compensation for its extra work in launching a deal.

On a senior co-manager's allocation of Ecu25m, that ⅛ point represents lost income of nearly $40,000, a significant sum in today's difficult market conditions. It remains to be seen whether the lead managers earn their *praecipuum* by managing to place more bonds in Spain than expected.

The controversy suggests that as the Spanish Government deregulates bond issuance, it will have to eliminate this sort of anomaly.

Nevertheless, analysts are increasingly seeing the Spanish bond market as offering an attractive emerging market play.

According to UBS Phillips & Drew, the Government is trying to make its debt more attractive to foreign investors and to increase the average maturity of its borrowings.

Not only has a series of measures liberalising capital flows and trading strategies been introduced, but it also seems likely that the Government intends to broaden the base of the Matador market. Matadors are bonds from foreign issuers denominated in pesetas.

Currently only supranational entities of which Spain is a member are allowed to issue in this sector.

It is widely expected that the first sovereign issue will be launched, perhaps as early as next month, with Austria and Denmark cited as possible borrowers.

Government-guaranteed state entities might follow, with corporate borrowers waiting in the wings.

One possible measure has been the subject of persistent speculation, namely that the Government intends to abolish *withholding* tax on domestic bonds. However, according to analysts it is unlikely the tax will be removed before 1992.

Andrew Freeman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Rosa1 (a)†♦	300	1998	8	30bp	100	Nomura Int	-
Rosa2 (b)†♦	500	1998	8	75bp	100	Nomura Int	-
LTCB Finance NV(c)♦	125	2000	10	(c)	102	LTCB Int	-
Caisse Autonome Refin.(d)†♦	100	1995	5	-14½bp	100	Credit Lyonnais	-
CANADIAN DOLLARS							
ASLK-CGER IFICO(e)♦	50	1992	2	14⅛	101.85	Mitsubishi Finance Int	13.139
Credit Lyonnais♦	75	1993	3	13¾	101.60	Cred.Lyon.Euro-Secs.	13.072
D-MARKS							
ASCII Corp★★♦	50	1994	4	9⅛	101½	IBJ (Germany)	8.666
Crediop(f)‡♦	350	1994	4	(f)	100.20	CSFB-Effectenbank	-
SWISS FRANCS							
Renault Acceptance(e)★★♦	75	1995	-	7¾	101¼	UBS	7.442
Toyota Motor Credit★★♦	100	1993	-	8	101⅛	SBC	7.567
Deutsche Giroz-Deut.Komm♦	125	1995	-	7½	101½	SBC	7.135
FRENCH FRANCS							
Compagnie Gen.Elec.(i)§♦	2bn	2000	10	6.5	100	Societe Generale	-
STERLING							
HMC Mortgage Notes 5 Plc‡ ‡♦(l)	150	2030	40	(l)	100	CSFB	-
Britannia B.Society(g)†♦	100	1994	4	10bp	100	Hambros Bank	-
LIRE							
World Bank(e)♦	400bn	1995	5	12⅛	101.30	B. Naz. Del Lavoro	11.766
ECUs							
Credit Local(j)♦	75	1995	5	10¼	100.07	Bankers Trust Int.	10.230
FINNISH MARKKA							
Swedish Export Credit♦	150	1993	3	13¼	101⅜	UBF	12.671
Finnish Export Credit♦	200	1993	3	13	100⅝	DCBM/Postipankki	12.736
YEN							
IADB♦	30bn	2000	10	7¼	101¼	Nomura Int.	7.089
Toyota Motor Credit Corp.♦	15bn	1992	2	7⅝	101⅛	Nomura Int.	7.003
EIB(k)‡♦	35bn	2008	18	(k)	99.85	J.P Morgan Secs.	-
LUXEMBOURG FRANCS							
Renault Acceptance★★♦	200	1993	5	10¼	102	BGL	9.454
Unibank A/S★★♦	300	1993	3	10⅛	102	BGL	8.330
Genfinance★★♦	300	1997	7	10	101.95	BGL	9.605
Olivetti Int.★★♦	300	1995	5	10	101¾	BGL	9.544
Pabelfima(m)★★♦	600	1997	7	10	101¾	BGL/Banque de Lux.	9.645
Banque CSIA★★♦	300	1993	3	10⅛	101⅞	KBL	9.379
Banque Worms★★♦(m)	600	1997	7	10	102	KBL	9.595

★Not yet priced. ★★Private placement. ‡With equity warrants. †Floating rate note. §Convertible. ♦Final terms. a)Coupon pays 30bp over 3-month Libor. b)Coupon pays 75bp over 3-month Libor. c)Step-down coupon 10⅛% until May 1992, thereafter 10%. One call May 1992 at par. d) Coupon pays 14½bp under 6-month Libor. Non-callable. e)Non-callable. f)Coupon pays 6-month Libor-flat. Call May 1992 at 100 and on coupon dates thereafter. g)Coupon pays 10bp over 3-month Libor. Put option May 1992 at 100. i)Short first coupon. Payment date 22 May 1990. j)Fungible with existing ECU 225m issue. Payment date 11 May 1990. k)Payment date May 31 1990. Callable at par on coupon dates from May 1998, putable at par, once only, May 2000. l)Will pay 3-month Libor plus 27½bp until July 2000, thereafter will pay 3-month Libor plus 50 bp. m)Launched in LFr300m. Note: Yields are calculated on AIBD basis

Banesto's tax bill reduced by 70%

By Peter Bruce in Madrid

THE Spanish Government has made Banco Espanol de Credito (Banesto) a tax gift of Pta19.2bn ($180.4m) to help the bank merge its wide industrial and financial services interests into one unit.

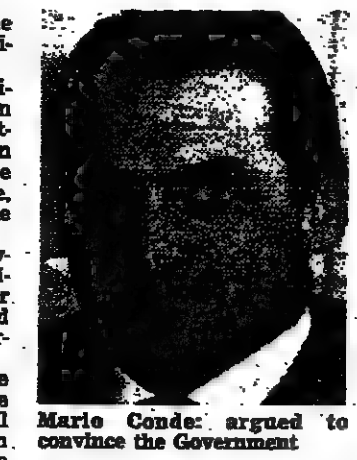
Having waited for more than nine months for the Government to give the project its blessing, Banesto is now likely to move quickly to establish Corporacion Industrial, which will include controlling stakes in Union Y Fenix, the insurance group, Asturiana de Zinc (mining), Acerinox (steel), Petromed (refining), Agroman (construction) and Tudor (batteries).

The Corporacion would be worth some Pta320bn at current stock market prices. It would account for just over 1 per cent of Spain's gross domestic product and become easily the country's largest private sector industrial group.

The Government was initially wary of Banesto's plan and it was only a private meeting earlier this year between Mr Filipe Gonzales, the Prime Minister, and Mr Mario Conde, Banesto's president, that broke the deadlock.

Under Spanish law the Government is able to waive capital gains tax on up to 99 per cent of the profits realised when assets are revalued during a merger.

Mr Conde had to do some hard arguing to convince the Government that merging all the holdings currently held in five different Banesto portfolio companies was in the national interest, as well as being in Banesto's interest.



Mario Conde: argued to convince the Government

Even so, he has not got all he wanted. Banesto claimed the merger of its 700 industrial and financial holdings would generate profits of Pta204bn and asked for a Pta44bn tax award.

The Government, though, has decided that many stakes were too small to consider and has waived just 70 per cent of the taxes due.

Mr Conde, who has made much of the need to disentangle Banesto's banking and industrial operations, is likely to use the Pta19.2bn to strengthen the parent bank's balance sheet.

● Banco Bilbao Vizcaya, Spain's largest bank, reports a gross profit of Pta22.35bn for the first quarter of 1990, up from Pta19.42bn a year ago. The bank said amortisations rose 11 per cent over the first quarter of 1989 but gave no actual figures.

Noranda Forest falls by 90% in first quarter

By Robert Gibbens in Montreal

NORANDA Forest, Canada's largest pulp and paper group, has reported a dramatic decline in first-quarter earnings, blaming the high Canadian dollar and heavy discounting in newsprint and some other products.

Net profit tumbled by 90 per cent to C$6m (US$5.16m) or one cent a share from C$58m or 55 cents a year earlier, on revenues little changed at C$1.21bn. The results include interests in several big pulp and paper companies across Canada, including MacMillan Bloedel, whose first-quarter earnings fell to 26 cents a share from 66 cents.

Noranda said the newsprint market had stabilised and some recovery was possible by mid-year. Other grades should also improve. The benefits of past heavy capital spending would begin to be felt in the second half.

Noranda's results were mirrored by a similar downturn at Fletcher Challenge Canada, where first-quarter earnings dropped by more than 50 per cent to C$15.7m or 26 cents a share.

The company's sales were C$282m against C$335m. Sales volumes were lower in pulp, newsprint and coated papers. Newsprint and lumber prices were weak.

Fletcher is less optimistic than Noranda about recovery later in 1990.

Avon plan for $450m sale of unit runs into problems

By Karen Zagor in New York

AVON PRODUCTS, the world's largest maker of cosmetics and toiletries, suffered a setback in plans to sell its stake in Avon-Japan for $450m in cash and royalties when potential buyers said they did not intend to close the sale by April 27.

The New York-based company agreed in February to sell its interest in Avon-Japan to Tokyo-based Friends of Freesia and Mr Veji Sasaki, Freesia's president.

The original closing date was March 30, but this was later extended to give the Japanese group more time to review the pact. At the time of the extension Avon said it would "retain the right to receive a $6.3m escrow deposit from the prospective buyers if the discussions do not result in a successful closing."

Avon said it still planned to sell all or part of its 60 per cent holding in Avon-Japan and "would be prepared to resume discussions with others who express an interest" after April 27.

The US company has been under considerable pressure to generate cash to reduce its debt burden in the wake of disappointing fourth-quarter results and a series of takeover approaches over the last 12 months.

Although Avon last month settled a pending proxy fight with Chartwell Associates, a partnership which includes the wealthy Getty and Fisher families, the company is far from comfortable with the Chartwell stake.

When Chartwell increased its Avon holding to about 16 per cent in early April the company called the purchase "inappropriate" and introduced a poison pill – to be triggered when any buyer acquired more than 20 per cent of its common stock.

Big demand in Taiwan's bank offer

By Gordon Cramb in Taipei

A PUBLIC offer by the Taiwanese Government of shares in the island's three largest commercial banks, intended to raise about T$25.8bn (US$977.3m) in its biggest privatisation so far, is expected to emerge this week hugely oversubscribed – but with its success still by no means assured.

The sum is due to come from a Ministry of Finance sale of its shareholdings of 4.7 per cent apiece in Chang Hwa Commercial Bank and First Commercial Bank, and 0.5 per cent in Hua Nan Commercial Bank. It is a prelude to a far larger disposal by the Taipei provincial government, which controls close to half of each bank but which may sharply reduce these holdings within the next year.

The privatisation comes at a time of deregulation in the banking sector, bringing more competition for the traditionally slow-moving state banks.

As counting for the share offer continued at the weekend, estimates were that oversubscriptions could range between 40 and 100 times. The issues were priced at discounts of about 20 per cent.

LSI Logic back to profitability

By Louise Kehoe in San Francisco

LSI Logic, the leading US producer of application specific semiconductor chips, returned to profitability in the first quarter following an improved use of production capacity.

Last year the company had excess factory space and was forced to close some of its older facilities.

Net income was $2.1m or 5 cents per share, including a gain of $955,000 or 2 cents per share from the early retirement of convertible debt. Operating income for the quarter was $2.2m.

Revenues for the quarter were $139m, up 4 per cent from $133.9m last year.

While net income in the first quarter was down 74 per cent on the $8m or 19 cents recorded in the first quarter of 1989, it represented a comeback from losses of $1.7m or 4 cents in the fourth quarter of 1989.

First-quarter net income was reduced by apportioned losses of $923,000 from LSI Logic subsidiaries and affiliate companies, which include its Headland personal computer chips and circuit boards subsidiary in the US and affiliate companies in Europe, Japan and Canada.

LSI Logic does not break down the individual performance of subsidiaries but said they were making progress in profitability: 38 per cent of revenues came from international operations, the company said.

"The big improvement in financial performance was a direct result of better utilised factories," Mr Wilfred Corrigan, chairman and chief executive, said. "The increased factory utilisation was fuelled by a healthy increase in orders over the past several months."

Telefonica must sell Entel stake

By Leslie Crawford in Santiago

TELEFONICA, the Spanish telecommunications group which bought a controlling stake in Compania de Telefonos de Chile (CTC) last week, has been ordered by the Chilean Monopolies Commission to sell its 20 per cent share in Entel, the country's main international telephone company.

The commission ruled that Telefonica's participation in both CTC, the main local operator, and Entel would create a monopoly in the telecommunications market. It feared a CTC-Entel cartel could discriminate against rival international operators.

Telefonica, which paid $388m for 43.7 per cent of CTC, plans to appeal against the decision.

Mr Luis Terol Miller, CTC's new chief executive, does not deny that Telefonica's stake has significantly altered the state of competition. CTC declared war on Entel's monopoly over long-distance calls, investing heavily in digital links between Chile's principal cities. It has purchased a satellite connection to provide a rival service for the northern mining regions.

The battle over who had the right to provide long-distance services was fought all the way to the Monopolies Commission and into the Supreme Court, which has yet to give a ruling.

CTC's chief executive sees this rivalry as an unnecessary duplication of investment in what remains a small, if fast-growing, market. "CTC and Entel would not waste scarce capital resources if they co-ordinated their efforts."

He believes there are ample legal safeguards in Chile to prevent discrimination against smaller companies. Others, like Mr Eduardo Bitran, the Finance Ministry's representative on the Monopolies Commission, disagree.

Mr Bitran says: "No amount of legislation could prevent CTC from favouring Entel over other carriers when it comes to connecting an international call in Chile. It would be impossible to monitor every call."

By voting to confine Telefonica to its interest in CTC, the commission hopes to encourage competition. Two small operators, VTR and Telex-Chile, already compete with Entel in this field.

However, the debate is far from over.

Imperial Oil sells holding in Interhome for C$492m

By Robert Gibbens

IMPERIAL Oil, which is 70 per cent owned by Exxon, is selling its 22.8 per cent interest in Interhome Energy to Gulf Canada Resources for C$492m (US$423m).

Gulf Resources, controlled by the Reichmann brothers of Toronto, is paying C$54.50 per share for the Interhome block of just over 9m shares. Interhome stock was trading at about C$47.50 at the end of last week.

The Reichmanns, through Olympia and York Developments, their main holding company, already own 40 per cent of Interhome. After gaining majority control they are expected to absorb Interhome's upstream interests into Gulf Resources and leave Interhome solely a pipeline operating company.

Imperial, Canada's largest integrated oil company since last year's C$5bn takeover of Texaco Canada, was expected to sell the Interhome stake. The proceeds will be used to reduce debt.

Higher US sales help lift Esab to SKr118m

ESAB, the world's leading welding equipment manufacturer, increased profits after financial items for the first three months of the year by 23 per cent to SKr118m ($19.2m), writes Robert Taylor in Stockholm.

Sales for the quarter rose to SKr1.84bn from SKr1.13bn. The company reaffirmed its previous buoyant forecast for the whole of 1990.

The good performance is mainly due to higher sales and profits generated by recently acquired American companies.

FLS Industries to raise payout

FLS Industries, the Danish cement plant manufacturer and engineering and building materials group, plans an increase in dividend from 10 per cent to 12 per cent after increasing pre-tax profits from DKr298m ($46.4m) to DKr485m and net profits from DKr181m to DKr436m, writes Hilary Barnes in Copenhagen.

Group turnover increased from DKr8.06bn to DKr9.38bn. The company said that the current year would also be satisfactory, with rising activity in all divisions.

Varig eyes airline share

VARIG, the Brazilian airline, intends to bid for a minority share in Aerolineas Argentinas, writes John Barham in Sao Paulo.

The Argentine Government, which owns the loss-making airline, plans to privatise the company this summer. Alitalia and American Airlines are also expected to bid for Aerolineas Argentinas. Varig said it was seeking to take over the airline with a group of Argentine bankers and businessmen.

The airline views a stake in Aerolineas Argentinas, which operates domestic and international routes, as an important part of its expansion programme.

Mr Rubel Thomas, Varig's president, said: "The advantage of the deal with Aerolineas Argentinas would be strategic, in that an alliance with the company would give Varig greater support at a time of globalisation of air transport."

Nobel division to be reshaped

NOBEL Industries, the Swedish armaments and chemicals group, plans a radical reorganisation of its Nobel Plast division which last year accounted for almost 5 per cent of group turnover, writes Our Financial Staff.

The company said yesterday that it would either put the division, which employs about 2,000 people, into a joint venture or would opt for an outright sale.

LEGAL NOTICES

No. 002033 of 1990
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF SMITH NEW COURT CORPORATE FINANCE LIMITED
-and-
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 9th April 1990 confirming the reduction of the share premium account of the above-named company by £1,238,000 was registered by the Registrar of Company on the 19th April 1990

Dated this day of April 1990

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A 2HA

Solicitors for the said Company

US MONEY AND CREDIT

Wall Street braced for further fall

WALL Street is bracing itself for a grisly week in the bond markets, following last week's steep and sudden drop in prices which sent yields rocketing to their highest levels for almost a year.

Last week's dive stemmed from a combination of poor domestic economic statistics and Japanese selling of US Treasuries. The same combination could cause more damage this week.

The yield on the benchmark 30-year Treasury bond reached 8.94 per cent last Friday and many analysts are expecting it to touch 9 per cent over the next week or so.

The question now is whether the fundamentals are pointing to a near-term change of policy by the Federal Reserve to a touch of monetary tightening, or whether the poor economic statistics of the past week can be dismissed as distortions.

The first figures to send the market reeling came on Tuesday and showed that the consumer price index rose 0.5 per cent in March and, excluding food and energy, "core" inflation was up by 0.7 per cent.

So far this year the CPI has risen at an 8.5 per cent annual rate, the highest since 1981. No one expects it to continue at that level, but the figures revived fears about the inflationary trend. Other statistics, meanwhile, suggested that the economy might be rebounding faster than expected: March industrial production showed a gain of 0.7 per cent, around double the market's expectations, while capacity utilisation jumped 0.4 per cent to 83.3 per cent.

Many of the figures may have presented a misleadingly gloomy picture, though. The CPI statistics, for example, were distorted by particularly sharp increases in clothes prices, while the industrial production gain was due in part to revived car production, after earlier cutbacks.

Even so, many economists have been rapidly revising upward their expectations for first-quarter gross national product, and did so again last Wednesday in the wake of far better than expected figures for the merchandise trade deficit.

This narrowed in February to $6.5bn from January's $9.3bn, with exports dropping slightly, by $300m, and imports down by $3.14bn, of which only $1.15bn was due to petroleum imports. They were the best figures for six years, but the market completely ignored them in its inflationary fever.

The preliminary estimate for first-quarter GNP is due out this Friday and forecasts for growth are now pitched as high as 2.5 per cent on an annual basis, well above the Fed's preferred rate of advance.

But again these figures need to be viewed cautiously, since weather factors and a recovery from last autumn's Boeing strike will have exaggerated the economy's bounce back.

In short, the statistical pointers are still very ambiguous, allowing some economists to claim that there is a clear-cut need for monetary tightening, with a near-term rise in the Fed funds rate to 8.5 per cent. Others are equally able to argue that the system already contains the seeds of lower inflation and GNP growth, as factors such as reduced military spending and the tougher regulatory attitude to bank lending feed through.

They would also argue that tougher medicine now, against a backdrop of a financial system made fragile by the savings and loans crisis, is a risk to the health of the patient.

Wherever that argument ends up, there is no doubt that Japanese investors have been a powerful influence on bond prices this week as they have continued their withdrawal of funds from the market.

Some of the pull-back might be explained by the fact that Japanese banks, hit by the sharp drop in Tokyo equity prices, have been under pressure to improve their capital ratios.

At the same time, with the dollar rebounding from the Y160 level, Japanese investors can see less foreign exchange gains from US bonds. And the concurrent fall in the US bond and equity markets over the past week and rise of their Japanese equivalents suggest a significant redeployment of funds in the Tokyo markets.

All of this paints a pretty discouraging backdrop for the Treasury's refunding exercise in May, since the government auctions have long been underpinned by good Japanese demand. A lacklustre Japanese attitude this time would mean interest rates going up to attract other buyers.

The refunding is expected to raise $30bn, although some analysts believe slightly more may be needed to meet the requirement of the Resolution Trust Corporation, the agency which is handling the disposal of bombed-out thrifts. It has said it may need to raise $45.3bn in working capital by the end of the second quarter.

So it was hardly surprising that a nervous market was further disturbed last Friday – the long bond lost a full point – by news that the Government had posted its largest monthly budget deficit ever in March.

The $53.34bn figure was around $10bn above the worst expectations. Like the week's economic statistics this could be an aberration, but it nevertheless implies a still greater supply of government paper in a market where demand is far from robust.

Martin Dickson

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.19	8.19	8.19	9.92	8.00
Three-month Treasury bills	7.94	8.00	8.12	9.11	7.20
Six-month Treasury bills	8.22	8.19	8.24	9.37	7.10
Three-month prime CDs	8.50	8.35	8.40	10.35	8.10
30-day Commercial Paper	8.25	8.23	8.30	9.95	8.05
90-day Commercial Paper	8.22	8.17	8.27	10.05	8.10

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	97⅞	-1½	8.91	8.65	8.57
20-year Treasury	102¼	-3⅞	9.04	8.74	8.63
30-year Treasury	95⅝	-3⅝	8.94	8.58	8.47

Source: Salomon Bros (estimates).

Money supply: In the week ended April 9 seasonally adjusted M1 fell $2.4bn to $805.8bn

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 19/4/90	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	142.61	7.40	142.37	144.02	149.05
Government Bonds	140.39	7.23	140.09	142.80	149.13
Municipal Bonds	143.95	7.49	143.63	145.43	150.29
Govt.-guaranteed Bonds	146.29	7.54	146.05	147.40	151.66
Bank Debentures	140.20	7.56	140.09	140.21	143.84
Corporate Bonds	145.76	7.52	145.58	146.38	151.95
Yen-denom. Foreign Bonds	152.06	7.62	151.84	151.70	157.31
Government 10-year†	6.67	n/a	6.73	6.14	5.24

† Estimated par yield

Source: Nomura Research Institute

Dai-Ichi warns on auction

By Ian Rodger in Tokyo

DAI-ICHI Mutual Life Insurance, Japan's second largest life insurance company and a key investor in US Treasury bonds, served notice on Friday that it would probably reduce its purchases at the next Treasury auction in May.

Mr Takahide Sakurai, president of Dai-Ichi and also chairman of the Life Insurance Association of Japan, said that his company "will take a more careful attitude than usual" in the coming quarterly auction.

Bond market observers in Tokyo said the statement merely confirmed recent evidence that Japan's big institutional investors had already changed their investment policies and had begun reducing their holdings of US Treasury securities.

Some analysts have suggested that the change in investment strategy by Dai-Ichi is the result of pressure being put on the life insurance companies and other institutional investors by the Japanese Ministry of Finance, which wants to see the yen strengthen against the dollar.

UK GILTS

Paying the price for inconsistency

IF ONE has to make a choice between obstinacy and inconsistency as virtues in policy-makers, go for inconsistency every time, argued John Maynard Keynes in an essay on France. The French, he said, were reaping the benefits of inconsistency in economic policy; the British were paying for obstinacy.

But it is now the French who seem to be benefiting from obstinacy in their pursuit of "competitive disinflation" within the European Monetary System. Britain seems to be languishing as a result of inconsistency, in particular in approaches to monetary policy.

The result, for the gilts market, is a continuing malaise which again saw the market lower last week. The June long gilt contract ended at 79⅜ on low turnover. The benchmark Treasury 11¾ per cent 2003/2007 closed at 96¼ to yield 12.26 per cent. Watching the market in this pattern is almost as much fun as running the London Marathon without a finishing line, as one analyst commented last week.

There is a race being run in the UK economy, which the gilts market is watching closely. Wages are hard on the heels of inflation, inflation is narrowing the gap on interest rates, and interest rates are breathing down the neck of growth, which is slowly running out of energy. Though there are no forecasts of recession yet, it is still an even bet whether growth will outrun inflation or vice versa, and the gilts market is still betting on inflation.

Last week's unit labour costs confirmed that wages are still catching up on inflation. Mr Don Smith, of Greenwell Montagu, argues that 9.5 per cent, the expected rate of increase for the Retail Prices Index in April, could become the starting point for wage increases.

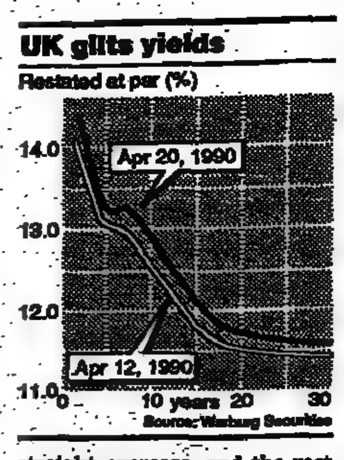
S.G. Warburg Securities sent a frisson through the market by forecasting that April's figure could be as high as 10.3 per cent. On this basis, they said, the inflation peak might not be until August, at 10.6 per cent.

At the first indication that inflation has peaked, gilts – particularly at the short end – would look appealing. That is why, according to some analysts, institutions have been sniffing around the market for the last few weeks and there has been a small revival of buying interest.

UK institutional investors have not exactly had a love affair with the gilts market for the last two years, as figures released last week by the Bank of England showed: Pensions funds, insurance companies, investment trust companies and unit trusts sold £6.4bn-worth of UK government securities in 1989. Purchases of overseas ordinary shares soared to an unprecedented £14.7bn over the same period. Effectively, much of the money which the Government put back into the market went straight overseas, and the rest stayed in cash.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

Wooing back investors will be hard. Uncertainty over inflation's profile is fed by doubts over the government's anti-inflationary zeal, and over what the anchors of policy will be in a storm. The market fears further interest rate rises to protect sterling are precluded. In addition the possibility of increases in interest rates in the US, Japan and Germany make gilts look vulnerable. The problems of the world economy have hit all bond markets in recent weeks. But the UK's domestic problems exacerbate this.

James Capel's quarterly report on bonds and currencies points out just how bad gilts have looked in the first quarter in relation to other world bond markets. Of the 11 leading markets which they analyse, only two yielded positive returns once currency fluctuations were taken into account.

The French bond market was one of these, giving total returns of 4.4 per cent for dollar-based investors and 2.5 per cent returns for local investors. Only Canada and Japan performed worse than gilts in dollar terms. In local currency terms, gilts recorded returns of -8.1 per cent, equal bottom with Japan.

French bonds top the list for investors in all currencies on Capel's bond forecasts for the next quarter. France has seen a wave of portfolio investment from Europe, the US and Japan recently. But it is not just relative currency stability within the EMS which makes France attractive. Inflation is under control and seven years of low growth seem to have tamed wage demands.

Capel believes the outlook for gilts in the next quarter is gloomy. Although local returns may be positive, for foreign investors the total return is likely to be negative as a result of a weakening currency.

The 12-month forecast is brighter, on the assumption that rising hopes of EMS membership bolster the pound. Ultimately the UK is seen to be moving towards the view that the obstinacy which the EMS enforces is more valuable than the inconsistency permitted outside it. But for gilts it is likely to be a rocky ride.

Andrew Marshall

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8⅞ 93	150	97⅞	-⅛	9.79
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PETRO-CANADA 7¼ 96	200	89⅝	-⅛	9.70
PHILIP MORRIS 9⅞ 98	200	97⅞	-⅛	10.34
PROCTER & GAMBLE 10 95	150	100	-⅛	9.98
QUEBEC PROV 13 90	150	101½	-⅛	9.66

CONVERTIBLE BONDS				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
INTL PAPER 5¼ 02	200	80⅝	-⅛	13.17
KYOWA BANK 1¼ 02	100	89⅜	[illegible]	4.49
LAND SECS 6¾ 02 £	84	80	-1⅛	10.85
METAL BOX 5¾ 02 £	65	98¼	-⅛	-2.86
MITSUBISHI BK 1¾ 02	300	83	+2	-0.02
OGDEN 6 02	85	84¼	+¼	30.84
PIONEER CONCRETE 9½ 98 A$	175	75⅝	-⅛	25.87
SAITAMA BANK 1¼ 02	160	80⅝	+⅛	15.56
[illegible]	[illegible]	75¾	-⅛	75.96

BOND WARRANTS	Expiry Date	Bid price	Chg on week	Yield
AEGON 9 92	24/09/92	9	0	8.53
CREDIT FONCIER 10⅞ 98	07/03/93	151½	0	9.83
GMAC 8¼ 95 B	11/02/91	5	-5¼	8.61
HEINZ 7⅞ 96	01/10/90	1	0	7.47
MCDONALDS 9 10 93	01/01/93	18	-3	9.19
SAS 9¼ 03	03/06/91	20	-4½	8.98

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant or yld=exercise yield at current warrant price. Closing prices on APRIL 20

مكانه الاصل

UK COMPANY NEWS

Globe to consider asking for an investigation

By John Thornhill

GLOBE Investment Trust will consider today whether to lodge a formal complaint against the British Coal Pension Funds, which Globe suggests may have acted on inside information in launching its £1.03bn bid on Friday.

Globe, the UK's largest investment trust, will discuss the issue this morning with its advisers and may call on the Takeover Panel or the Department of Trade and Industry to investigate. Globe is being advised by Baring Brothers, the merchant bank, and Linklaters & Paines, the solicitors.

The central plank of Globe's argument concerns a meeting it held with British Coal Pension Funds last Thursday afternoon at which it claims it discussed general market issues and its performance in the financial year to March 31 1989.

The British Coal Pension Funds, which formed Globe's largest shareholders with a stake of 28.8 per cent, had been shareholders for over 15 years.

Mr David Hardy, Globe's chairman, said: "It was a regular up-dating meeting." But he claimed that at no time did British Coal Pension Funds make any mention of their intention to increase their holding in Globe.

Yet later that day, at around midnight, the funds agreed to buy a 5 per cent stake in Globe from Standard Life, the life assurance company. This raised the funds' holding in Globe to 33.8 per cent thereby triggering a full bid for the UK's largest investment trust.

Mr Hardy said he was only told of the funds' offer at 7.30am on Friday morning.

British Coal Pension Funds were not prepared to discuss the issue in detail yesterday but contested Globe's version of the meeting on Thursday. A spokesman for the funds said: "This was a routine meeting. In our opinion no price sensitive information was passed."

Meanwhile, Cazenove, Globe's stockbrokers, has asked the Stock Exchange to investigate an apparent leak of information which might have affected Globe's share price in the days preceding the bid. The stock market was alive with rumours of a bid last Thursday as Globe's shares rose 2½p to 174½p against the market trend.

Ketson back in the black

Ketson, the marketing and financial services group, produced a £1m turnround in 1989 to finish with a pre-tax profit of £122,000, against a loss of £960,000.

But the real improvement was greater, the directors claimed. The 1988 loss only included results of new companies from the date of acquisitions, and full year results of all group companies would have been a loss of £3.14m.

The second half and the early part of 1990 was a consolidation period as the businesses were strengthened. The major realignment of the group was largely completed and it could look positively to the future, they said.

IETC was the principal contributor to profits, achieving significantly higher revenues following a broadening of the client base. Moorgate's losses were much reduced, benefiting from a concerted effort to reduce the overhead base and to improve margins.

Turnover in the year advanced to £21m (£14.57m). There were extraordinary losses of £179,000 (£508,000) comprising the closure and sale of subsidiaries, and costs incurred in relation to a bid approach. The preference dividend is 18 months in arrears, amounting to £13,600.

Finance director leaves VPI in cost-cutting move

By Alice Rawsthorn

VPI Group, the public relations company which has been rocked by the scandal surrounding Mr Don Carter, the former head of its US subsidiary, has announced the resignation of Mr Peter Barfield as its finance director.

Mr Barfield's resignation is part of a cost-cutting programme at VPI, which has been pruning central costs after issuing a profits warning earlier this year. He will be succeeded by Mr Jeremy Sell, who already works for one of VPI's subsidiaries and has been appointed group financial controller. VPI's shares fell by 2p to 25½p on Friday.

The cost cutting has involved shedding staff and the closure of the group's headquarters at Grosvenor Gardens in London's Belgravia.

The group had warned that profits for the six months to March 31 would fall well below expectations chiefly because of its problems at the Carter Organisation, its proxy solicitation company in the US.

Last month VPI fired Mr Carter after he entered guilty pleas to two felony charges of grand larceny and income tax evasion in the US.

VPI is now considering suing Mr Carter for failing to disclose his criminal liabilities when negotiating the sale of his business in 1988. VPI hopes to reach an out-of-court settlement. Mr Angus Maitland, chairman and chief executive, will be in the US next week.

Berry Birch £400,000 for year

Berry Birch and Noble, the USM-quoted financial planning company, finished the year ended January 31 1990 with a profit of £399,718, compared with the previous loss of £374,683.

However, dividends cannot yet be resumed as the profit and loss account is still in debit. The last payment was an interim of 1.5p on account of 1988-89.

Turnover fell from £5.29m to £4.92m in 1989-90, but generated an operating profit of £347,000, against a loss of £502,000.

Net interest and other income dropped from £148,000 to £59,000, however.

After tax £138,000 (credit £43,000) earnings worked through at 4.3p (loss 3.3p).

Support conversion urges Unichem

By Andrew Bolger

UNICHEM, the co-operative wholesale chemist which plans to float on the stock market later this year, has written to its 4,500 members, urging them to support the plans for conversion from mutual status.

The directors are unanimously recommending members to vote for conversion and to apply for shares in the new company.

The letter states: "Most importantly, whether or not members vote for conversion, the directors most strongly recommend members to apply for their conversion shares and, subject to their individual financial circumstances, to apply for their entitlement to offer shares."

Members who do not apply for shares in the new company will suffer a substantial financial disadvantage, the document warned.

Euro Leisure offer will not be increased

European Leisure said yesterday that its £72m offer for Midsummer Leisure, the pub, disco, snooker club and slot machine operator, would not be increased, writes Andrew Bolger.

The offer was originally supported by the directors of Midsummer, who have irrevocably pledged their 15.1 per cent stake to acceptance, but they have now advised shareholders to reject it, citing the fall in European's share price since the bid launch.

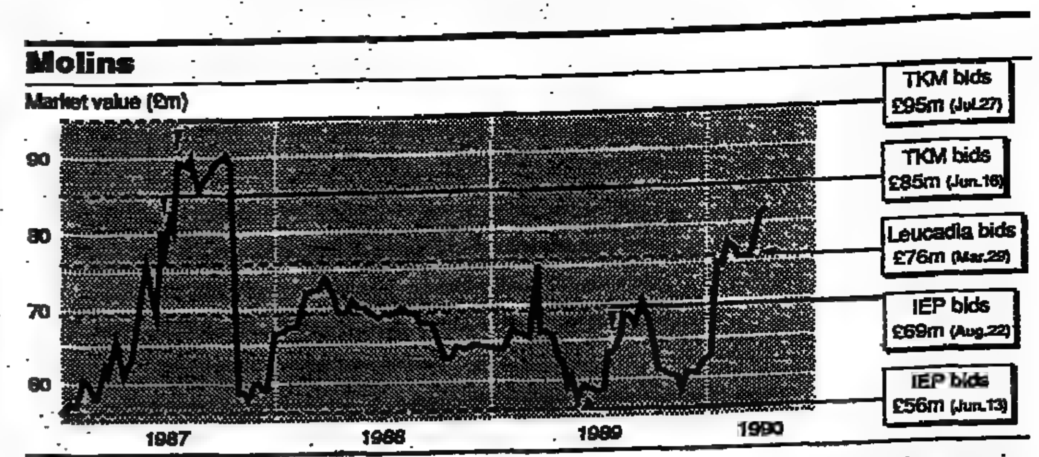
Mr Michael Ward, chairman and chief executive of European Leisure, said his directors were convinced by the commercial benefits of combining the two groups; Midsummer had also publicly supported this view and originally recommended the offer.

"The rejection of our offer by Midsummer Leisure is unconvincing," he said.

European Leisure said its offer valued each Midsummer share at 154p, a premium of 30 per cent on Friday's closing price of 118p.

Shareholder loyalty hard to sway

Andrew Hill on the fight facing the latest bidder for Molins



Investors in Molins must be wondering whether they inadvertently added their names to a bizarre mailing list when they bought shares in the cigarette machinery and packaging group.

Since 1985, a succession of predators has kept the letter-boxes of Molins shareholders rattling cheerfully with their offer documents and the company's subsequent defence.

Including increased offers, shareholders have had to consider five attempts by outsiders to take over their company, valuing Molins at between £56.3m (IEP Securities' first shot last June) and £95m (Tozer Kemsley & Millbourn's second stab in August 1987).

Three times the Molins board has rapped out the monotonous condemnations peculiar to corporate bid battles.

All five offers have been "derisory", "totally unacceptable", "wholly inadequate" and "opportunistic". Two of them were crushed, albeit at a total cost to the company of £2.24m.

In 1985, shareholders even rejected their independent directors' recommendation of a management buy-out attempt – one of the first for a UK quoted company – which valued Molins at just under £50m.

The latest hostile attempt, a £76m cash offer from the publicity-shy US group Leucadia National Corporation, is still running and Molins' shareholders received their defence document about 10 days ago.

So how does this Molins defence compare with the last two? More importantly, how can any defence document help shareholders assess the "real value" of their company?

The group's first two defences were both against Sir Ron Brierley, the New Zealand businessman. After failing with a bid from TKM in 1987, he used the residual 30 per cent stake in Molins as a platform for last summer's failed takeover attempt by IEP Securities, before selling the holding to Leucadia this year.

Molins has yet to miss a profit forecast made during a bid defence – indeed, it has comfortably surpassed its own predictions.

With hindsight investors might have jumped at TKM's increased offer in 1987, but nobody could have foreseen the stock market crash which followed its defeat. That said, the 1987 defence documents are still a cruel illustration of how easily hostages to fortune can be slaughtered.

In 1987, Molins' management team had "the vision and dedication necessary to ensure that Molins' special skills could be successfully applied to wider market sectors in coming years, through organic development and acquisition."

Yet within two months of the TKM bid defeat, Molins had lost its managing director, Mr Christopher Ross. Widely credited with the successful defence, he resigned or was dismissed (the point was disputed) because of "a basic incompatibility of management style and temperament," according to the group's chairman at the time. So much for dedicated management.

In contrast to TKM, the group argued in its 1987 document, "Molins' business has an inherent stability resulting from the long term nature of its products and the wide geographical spread of the markets in which it operates. The achievements of the last three years...will provide the basis for continuing growth."

Unfortunately for Molins, 1988 proved to be a difficult year. The long term nature and geographical spread of the business did not prevent delays in major contracts and a downturn in world demand for tobacco machinery, cutting profits from £10.2m (£200,000 more than forecast) to £6m before tax.

The results announcement a year ago marked the the nadir of Molins' recent fortunes, and inspired a view among some City analysts – who perhaps recalled the 1987 defence document – that Molins was a "jam tomorrow" stock.

But Molins' shareholders have not held its failure to achieve 1987's ambitions against the company.

Mr Michael Wright, now the group's managing director, but a board director during all three hostile bids, says there used to be some justice in the jam tomorrow gibe.

But he is quick to defend the board's role three years ago ("you have to paint the prospects as honestly as you see them at the time"), and directors' continuing fight to keep the company independent.

In 1985, some directors wanted to take the group private because of uncertainties ahead. Five years later, the new defence document stresses the virtues of Molins' "strength and potential", founded on profits which rose from a restated £8.8m to £13.9m last year, surpassing the £13m forecast.

"We are now in my view doing a much, much better job of managing the business against a very tough market background – compared with 1987 when we were taking a direct, gung-ho approach, and grabbing as much work as possible in a bull tobacco market."

The task of drafting the latest defence document has been made somewhat easier by the similarity between the IEP bid and the Leucadia offer. Both groups are holding companies for a range of investments which have little commercial similarity to Molins' interests; both predators have focused a part of their attack on pension benefits in the group's profits and the difficulty of repatriating income from Molins' Brazilian operations.

Mr Wright says, half-seriously, that the same bid defence could have been reissued with the predators' names changed.

Leucadia's advisers, meanwhile, claim the group has yet to address the central issues of its bid approach. But judging from market reaction, even after three years investors still prefer the latest volume of the Molins recovery story – the group's shares closed unchanged on Friday at 275p, against the cash offer of 252p – to the latest bid. It looks as though it will take more than an increase in the hostile offer to sway loyal shareholders, who now know the Molins defence strategy by heart.

FT Share Information Service

The following securities were added to the Share Information Service in Saturday's edition:

AFP Group (Section: Finance Land)

Celtic Gold (Third Market)

First Ireland Inv. Co. (Investment Trusts)

Do. Warrants (Investment Trusts)

Image Store Hldgs. (Third Market)

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Allied London Properties, Coalit, Lyles (S), MLY. Holdings.

Finals- CCS, Eurotunnel, Hainia, Hammerson Property Investment & Development, Hartons, Hunting, Huntleigh Technology, Kingston Oil & Gas, Power Corporation, Ratners, Travis Perkins.

FUTURE DATES

Interims-

Anglo Irish Bank	Apr. 26
British Assets Trust	Apr. 26
Investors Capital Trust	Apr. 26
Rosehaugh	Apr. 24
Sumner International	Apr. 27
Tate & Lyle	May 1
UK Land	May 8
Finals-	
Apollo Metals	May 14
Barlows	Apr. 26
Cakebread Robey	May 9
Clayton Son	Apr. 27
Coven Beech	May 10
First Charlotte Asset Tst.	Apr. 24
Holt (Joseph)	Apr. 25
Propeller	May 3
Yule Catto	Apr. 25

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	Northern Bank Ltd	15
Adam & Company	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Equatorial Bank plc	15	Provincial Bank PLC	16
Associates Cap Corp	15½	Exeter Trust Ltd	15½	R. Raphael & Sons	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Roxburghe G'rantee	15½
Bank of Baroda	15	First National Bank Plc.	16½	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Royal Trust Bank	15
Bank Hapoalim	15	Robert Fraser & Ptrs.	15½	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Girobank	15	Standard Chartered	15
Bank of Cyprus	15	● Guinness Mahon	15	TSB	15
Bank of Ireland	15	HFC Bank plc	15	● United Bk of Kuwait	15
Bank of India	15	● Hambros Bank	15	United Mizrahi Bank	15
Bank of Scotland	15	Hampshire Trust Plc	15½	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Heritable & Gen Inv Bnk.	15	Western Trust	15
Barclays Bank	15	● Hill Samuel	§15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	C. Hoare & Co.	15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	Hongkong & Shangh	15	Yorkshire Bank	15
● Brown Shipley	15	● Leopold Joseph & Sons	15		
CL Bank Nederland	15	Lloyds Bank	15		
● Charterhouse Bank	15	McDonnell Douglas Bnk	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	Midland Bank	15		
Clydesdale Bank	15	Mount Banking	15		
Comm.Bk.N.East	15	Nat Bk. of Kuwait	15		
Co-operative Bank	*15	NatWestminster	15		

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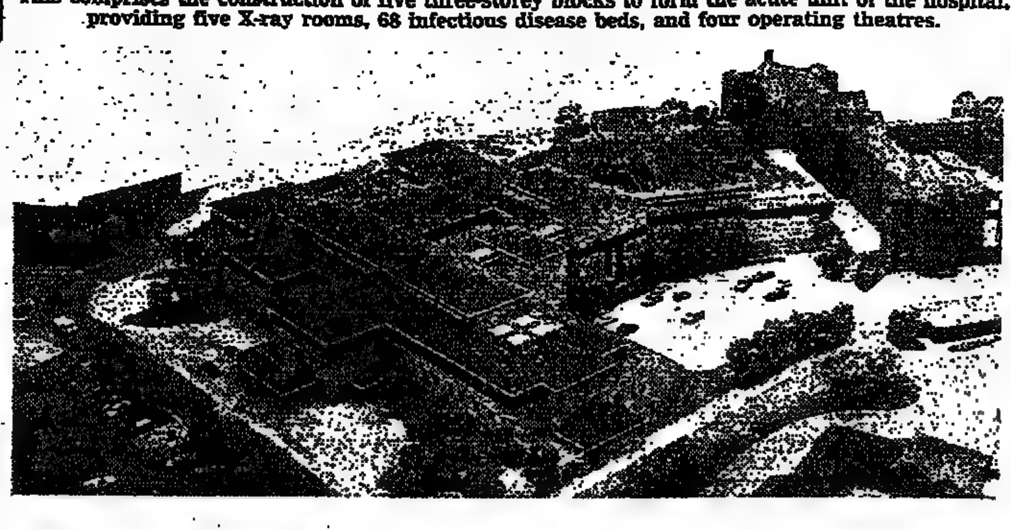
FINANCIAL TIMES STOCK INDICES

	Apr 20	Apr 19	Apr 18	Apr 17	Apr 12	Apr 11	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs.	75.58	75.53	75.56	75.88	76.31	76.70	84.20	75.53	127.4	49.18
Fixed Interest	85.53	85.50	85.55	85.69	85.85	85.76	92.91	85.12	105.4	50.53
Ordinary	1712.6	1712.2	1732.6	1736.3	1741.0	1733.3	1968.3	1712.2	2008.6	49.4
Gold Mines	247.9	248.7	248.0	250.6	248.8	249.0	378.5	247.9	734.7	43.5
FT-Act All Share	1086.31	1085.20	1095.00	1098.14	1101.24	1098.61	1226.83	1085.20	1238.57	61.92
FT-SE 100	2187.1	2184.7	2205.9	2214.5	2222.1	2215.5	2463.7	2184.7	2463.7	986.9

CONTRACTS

£50m hospital projects

Two hospital contracts together worth a total of £50m have been won by WIMPEY CONSTRUCTION. The largest is a £35m district hospital in Redbridge, being undertaken in joint venture with Drake and Scull. Work involves the demolition of some of the existing hospital infrastructure and construction of a new facility spread across six blocks. Each block will be two storeys high and will be linked to the other five by a network of hospital streets. The second is the £16.5m first phase development *(pictured)* of North Manchester General Hospital in Crumpsall. This comprises the construction of five three-storey blocks to form the acute unit of the hospital, providing five X-ray rooms, 68 infectious disease beds, and four operating theatres.



Euston Road scheme

TROLLOPE & COLLS (CITY), a Trafalgar House company, has been awarded several major refurbishment contracts totalling £45m. The largest is for Wellcome Trust where the facade of its listed building in Euston Road, London, will be retained whilst refurbishment and alterations to seven floors takes place. There will be demolition and reconstruction of the upper two floors and the roof plant room.

Other awards include a contract worth £6.5m for Madame Tussauds where the company has been involved in a refurbishment programme since 1987; fitting out works at Broadwalk House for Sinclair Roche & Temperley, and at Peterborough Court, the new headquarters for Goldman Sachs.

New York prison infirmary

MORRISON KNUDSEN CORPORATION of Boise, Idaho, has been awarded a contract to manage the construction of a 1,000 bed, US$200m (£122m) prison infirmary/mental health centre in New York City.

The contract was placed by the City of New York Department of General Services. The infirmary/mental health centre will be built at the city's Riker's Island correctional centre in the East River.

The project will begin immediately with pre-construction activities that include a construction review, participation in value engineering, scheduling, estimating and preparation of bid packages. Construction is scheduled to begin early in 1992 with completion planned *for the summer of* 1994.

£22m Hertfordshire office development

ECH PROJECT SERVICES has been appointed as tenant's representative on a £22m office development being completed by Legal and General Property Group for Crosfield Electronics.

The development of 144,000 sq ft, which will provide new premises for Crosfield in Hemel Hempstead, is in the form of three linked blocks, each five storeys high. Four towers, two of which will act as major plant and circulation areas, will form part of the development. The building, constructed in reinforced concrete and in situ concrete floors, will incorporate elevation materials of contrasting brickwork. Glass curtain walling and polished granite *cladding will be used to form* the towers.

Car parking for 368 vehicles will be provided at lower ground floor level and a full oversite podium will be constructed to provide further car parking and servicing facilities.

Carefully planned and extensive landscaping work at periphery and upper level will be undertaken to enhance the *appearance of the develop*ment. Completion is scheduled for August 1991.

New hotel facilities for Maidstone

A luxury hotel development heads the list of contracts worth more than £17m awarded to the TARMAC CONSTRUCTION GROUP. The company has a £9m contract for a 141-bedroom, four star hotel, in Bearstead Road, Maidstone, for Stakis.

It involves building two two-storey bedroom blocks, linked by single-storey leisure and facilities blocks, around a landscaped courtyard. Work is due for completion in a year.

Other projects include a £2.4m contract for a factory at Wrexham for Betts Plastics and a £945,000 contract for fitting out offices at Reading for the Property Services Agency.

Tarmac Management has a £1.5m contract for building light industrial units at Ashford, Kent, for London and Commercial Properties.

The contract housing division has been awarded two projects by Birmingham City Council - improving and altering homes in Ashbourne Road, Birmingham (£1.8m) and refurbishing flats at Rubery (£1.6m).

£11m High Wycombe leisure complex

Entertainment facilities in High Wycombe are to be given a boost following the award of an £11.8m contract to LAING CHILTERN.

Wycombe District Council *has selected the company to* build a 1,000 seat entertainments complex in St. Mary's Street in the heart of the town.

The centre will be built on three levels plus a basement and include a fully equipped stage, a fly tower, bar and catering *facilities*.

As part of the contract the town hall will be refurbished to provide facilities for dinner dances with room for up to 350 guests.

The entertainments complex will consist of an in situ concrete frame on piled foundations with brick walls.

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Trade fairs and exhibitions: UK

Current
Visual & Audio International Exhibition (01-680 8008) (until April 25)
Earls Court

April 24-26
British Electronics Week (0799 26699)
Olympia

April 24-27
Which Computer Show (01-948 9900) NEC, Birmingham

April 29-May 1
International Confectionery Exhibition (01-252 2885)
Olympia

May 1-3
International Fast Food Show (01-940 2244)
Wembley Conference Centre

May 2-4
London Secretary Show (01-868 4466) Olympia

May 3-13
International Philatelic Exhibition – STAMPWORLDLONDON (01-251 5040)
Alexandra Palace, London

Overseas exhibitions

April 23-28
Data Processing, Office Equipment, Telematics, Communications and Software Exhibition – *SICOB (01-997 3474)*
Paris

April 24-26
International Clothing Textiles Trade Fair – INTERSTOFF (01-734 0543)
Frankfurt

May 1-4
International Leather Processing and Machinery Exhibition - KORLEATHER (01-236 2399)
Seoul

May 2-9
Hanover Fair - INDUSTRY (01-668 9541)
Hanover

May 4-8
International Woodworking Machinery Trade Fair – DREMA (0223 233952)
Poznan

Business and management conferences

Current
Montreux Symposium for Direct Marketing Communication (Switzerland 41-1-391-20-00) (until April 27)
Montreux

April 23-24
Financial Times Conferences: Industry and the Environment (01-925 2323)
Hotel Inter-Continental, London

April 24
Adam Smith Institute/European Express Organisation: Delivering British goods and services to the Continent: The *choices for 1992 (01-789 9811)*
Queen Elizabeth Conference II Centre

April 25
Chartac Conferences: Going republic (0908 668833)
CFS Conference Centre, London

April 25 -26
Acquisitions Monthly: How to buy a company (0892 515454)
London Press Centre

April 30
The Energy Business Centre: The defence and offshore oil and gas industries – opportunities for business and technology co-operation (04884 412)
Royal Overseas League, London

May 1-2
Chartac: The 1990 banking and securities conference: The challenge of Europe - can London survive the changes? (0908 668833)
London Marriott Hotel

May 3
CBI Conferences: The Visual Connection (01-379 7400)
Centre Point, London

May 3
Tolley Conferences: The Law and Practice of Bids and Mergers (01-680 5682)
London Press Centre

May 9-11
ESOMAR: Countdown to 1992: Which issues at stake? Which strategies in the Single Market? (Amsterdam +31-20-664-2141)
Brussels

May 13-16
Giles Communications Inc: International Privatization Congress (Canada (306) 347-7770)
Saskatoon

May 14-15
Insurance and Reinsurance Research Group: Reinsurance accounting (01-236 2175)
Kensington Close Hotel, London

May 14-15
Acquisitions Monthly: Strategies for buying and selling unquoted companies – a practical approach (01-823 8740)
Le Meridien Hotel, London

May 15-16
Enterprise Events: Finance 90 – New directions for challenging times (01-940 2244)
Olympia 2

May 18
IBC Technical Services: Environmental economics (01-486 5844)
Portman Inter-Continental, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

DIARY DATES

FINANCIAL

TODAY

COMPANY MEETINGS-
AMS Industries, Dunkenhalgh Hotel, Clayton-le-Moors, Lancashire, 12.00
Burford, 76 Shoe Lane, E.C. 11.30
Cityvision, 315 Norwich Street, E.C., 12.00
Murray International Trust, 7 West Nile Street, Glasgow, 10.30
SEP Industrial, 20 Aldermanbury E.C., 11.00
Scottish Eastern Investment Trust, 29 Charlotte Square, Edinburgh, 12.00
BOARD MEETINGS-
Finals:
CCS
Eurotunnel
Halnia Hldgs
Hammerson Property Inv & Dev
Hartons
Hussing
Huntley Technology
Kingston Oil & Gas
Power Corp.
Ratners
Travis Perkins
Interims:
Allied London Properties
Coalit
Lyles (S)
MY Hldgs.
DIVIDEND & INTEREST PAYMENTS-
AMS Inds 1p
Christiania Bank OG Kreditkasse Fltg. Rate Nts. 1997 $445.52
Die Erste Osterreich Spar-Casse Sub Fltg Nts 1992 $445.52
Fife Indmar 3.375p
National Westminster Finance BV Gtd. Fltg. Rate Cap Nts 2005 $436.05
National & Provincial Bldg Society 5¾% Nts 1994 2.6875pc
Texas Instruments 18cts

TOMORROW

COMPANY MEETINGS-
Bensons Crisps, Clifton Arms Hotel, Lytham St.Annes, Lancashire, 12.00
Camellia Investments, 116 Piccadilly, W., 10.30
Continental & Industrial Trust, 40 Broadway, S.W., 10.00
Expamet International, 89 Pall Mall, S.W., 12.00
LASMO, Barbican Centre, E.C., 11.30
Lambert Howarth, Dunkenhalgh Hotel, Clayton-le-Moors, Blackburn, 12.00
Midland Bank, 30 Threadneedle Street, E.C., 11.00
National Westminster Bank, 15 Bishopsgate, E.C., 12.00
Pacific Assets Trust, 1 Charlotte Square, Edinburgh, 12.30
Sumit, 1 Sun Street, E.C., 12.15
Young Group, Savoy Hotel, Strand W.C., 12.00
BOARD MEETINGS-
Finals:
CI
Edinburgh Inv. Tst.
FR
First Charlotte Assets Tst
Tarmac
Total-Compagnie Francaise des Petroles
Interims:
Ensign Tst.
Multitrust
Rosehaugh
St. Ives
Shani
Whatman
DIVIDEND & INTEREST PAYMENTS-
Bristol & West Bldg Society Fltg. Rate Nts 1992 £189.55
Britannia Bldg. Society Fltg Rate Nts 1996 £378.49
Burford Hldgs. 0.35p
Camellia Invs 14p
Co-operative Bank Sub Fltg. Rate Nts 2000 £189.55
Lex Service 9.4p
Lloyds Bank "A" Rate Sub Nts 1998 £379.11
Thorntons 1.1p

WEDNESDAY APRIL 25

COMPANY MEETINGS-
Associated-Henriques, 6 Long Lane, E.C., 10.30
Automated Security 258 City Road, E.C., 12.00
Delta, Hyde Park Hotel, Knightsbridge, S.W., 12.00
Hall Engineering, Metropole Hotel, N.E.C., Birmingham, 10.15
Lloyds Bank, 71 Lombard Street, E.C., 3.00
Manders, Goldthorn Hotel, Penn Road, Wolverhampton, 12.00
MEMEC Chartered Accountants Hall, Moorgate Place, E.C., 10.30
More O'Ferrall, Cafe Royal, Regent Street, W., 10.00
Sale Tilney, 29 Queen Anne's Gate, S.W., 12.00
Try Group, 1 Bartholomew Close, E.C., 12.00
BOARD MEETINGS-
Finals:
Ashley (Laura)
Bank of Scotland
Bank of Wales
Blue Circle
Dencora
Epicure Inds
Haden MacLellan
Hawthorn Leslie
Quicks
Tharsis
Yule Catto
Interims:
Evered
Jessups
South Green
DIVIDEND & INTEREST PAYMENTS-
Bank Leumi (U.K.) 10.6p
Bankers Trust New York 58.25cts
CPC Intl. 50cts
Consolidated Venture Trust 0.1p
Exchequer 11% Stk. 1991 5.5pc
Legage 1.1p
Manchester (City of) 11.5% Stk 2007 5.75pc
Manufacturers Hanover 82cts
Murray Income Trust 1.68p
Treasury 10% Stk 1990 5pc
Tweefontein United Collieries 57cts

THURSDAY APRIL 26

COMPANY MEETINGS-
Anglia Television, Studio E, Magdalen Street, Norwich, 12.00
Calor 30/32 St.Mary Axe, E.C. 11.30
Capital & Regional Properties, 66 Knightsbridge, S.W., 12.00
Clarke, Nickolls & Coombs Howard Hotel Temple Place, W.C., 12.00
Cooper (Alan), Burnley Road, Todmorden, Lancashire, 12.30
Darus Estates, 1 Hamilton Place, W., 12.00
English & Overseas Properties, Royal St James Court Hotel Buckingham Gate, S.W., 12.00
Gaskell Pines Hotel, Clayton-le-Woods, Chorley Lancashire, 10.30
Jourdan (Thomas), Stationers Hall, Moorgate, E.C., 12.00
Kalon, Huddersfield Road, Birstall Batley 11.30
Lloyds Abbey Life, The Inn on the Park, Hamilton Place, W., 3.00
Microvitec, Norfolk Gardens Hotel, Bradford, 12.00
Sphere Investment Trust, Great Eastern Hotel Liverpool Street, E.C. 12.30
Wood (Arthur), Bradwell Works, Longport, Stoke-on-Trent, 12.00
COMPANY MEETINGS-
Finals:
Barlows
Etam
Gleeson (M.J.)
Grampian Television
Holt (Joseph)
Renaissance Hldgs.
Scottish Mortgage & Tst.
Scottish Metropolitan
Sovereign Oil & Gas
Video Store
Ward
Interims:
Anglo Irish Bank Corp
British Assets Trust
Cradley
Fenner
Five Oaks Invs
Fleming Universal Inv. Trust
Investors Capital Trust
Kalamazoo
DIVIDEND & INTEREST PAYMENTS-
Australia (Commonwealth of) 11¾% Stk 2015 5.8675pc
Bank of Nova Scotia 25cts
British Kidney Patient Ass. Inv. 10p
Castle Communications 4p
Juet Rubber 3p
Pacific Assets Trust 0.875p
Provident Financial 13.5p
State Bank of New South Wales 10¾% Sub Nts. 1999 5.1875pc
Sunset & Vine 1.5p
Wood (Arthur) 4.1p

FRIDAY APRIL 27

COMPANY MEETINGS-
ASD, Valley Farm Road, Stourton, Leeds, 12.00
Bardon, Holiday Inn, Leicester 10.00
Bedford (William), 46 Essex Road, N., 3.30
Blagden Industries, Sadlers Hall, E.C., 11.30
Doeflex, Butchers Hall, Bartholomew Close, E.C., 12.00
First Scottish American Trust, Dunedin House 25 Ravelston Terrace, Edinburgh, 12.00
Hickson International, Waldhon Road, Castleford, 12.00
Hillsdown Holdings, 134 George Street, W., 2.00
Laing Properties, Ballroom Inn, Park Lane W. 12.00
Macallan-Glenlivet, M.G. Distillery, Craigellachie, Banffshire 12.00
Mayborn, Dylon House, Worsley Bridge Road, S.E., 10.30
Paribas 68 Lombard Street, E.C., 10.30
Psion, Fletchers & Farmers Hall, E.C., 11.00
Robinson (Thomas), Derbyshire County Cricket Club, Nottingham, Derby, 10.30
SI Group, Grosvenor House Hotel Charter Square Sheffield, 11.00
Spring Ram, 159-165 Headrow Court, Leeds 12.00
Tyne Tees Television, The Television Centre Newcastle-upon-Tyne, 2.30
Wimpey, Savoy Hotel Strand, W.C., 12.00

COMPANY MEETINGS-
Finals:
Albany Inv. Tst.
Aquascutum
Bletchley Motor
Clayton Son
Global
LIT Hldgs
Slingsby (H.C.)
Ulster Television
Upton & Southern
Usborne
Interims:
Clydesdale Inv. Tst
Principal Hotels
Summer Intl
DIVIDEND & INTEREST PAYMENTS-
Anglo American 240cts
Beatrix Mines 50cts
Bensons Crisps 1.65p
Brandon Hire 1.11p
Canadian Imperial Bank of Commerce 33cts
Carlisle Group 0.5p
Exchequer 15% Stk. 1997 7.5pc
Do 13½% Stk. 1994 6.75pc
Green (Ernest) & Partners 2.76p
Haggas (John) 1p
Hartley Baird 0.25p
Microvitec 0.75p
Noble Raredon 0.1p
Pickwick 3p
Pilco 3.25p
Do "A" Ord 3.25p
Robinson (Thomas) 2.5p
Sinclair Goldsmith 1.6p
TR Pacific Inv. Trust 0.25p
Trinity Intl Hldgs 4.9p
Walker (Thomas) 0.26p

SATURDAY APRIL 28

DIVIDEND & INTEREST PAYMENTS-
Macallan-Glenlivet 0.71p
Menvale Moore 2.75p

PARLIAMENTARY

Today

Commons: Human Fertilisation and Embryology Bill, Committee stage.

Lords: Education (Student Loans) Bill, Commons reasons and amendment. Landlord and Tenant (Licensed Premises) Bill, Committee. Property Services Agency and Crown Suppliers Bill, Committee. Question to Government on money laundering in the United States.

Select Committee: Televising of Commons proceedings - subject, Review of the televising experiment. Witnesses: BBC, IBA, Sky TV, BSB (Room 15, 5 pm)

Tomorrow

Commons: Human Fertilisation and Embryology Bill, Committee stage.
Lords: Town and Country Planning Bill, Third reading. Planning (Listed Buildings and Conservation Areas) Bill, third reading. Contracts (Applicable Law) Bill, third reading. National Health Service and Community Care Bill, committee.

Committee on private bill: Cardiff Bay Barrage (Room 5, 10.30 am)

Wednesday

Commons: Opposition Day: debate on motion entitled "The Poll Tax, Uniform Business Rate and Local Government Services". War Crimes Bill, remaining stages.
Lords: Debate on case for balance on governing bodies in schools. Debate on the case for a second chamber in the British Constitution. Question to Government on EC proposals to restore patent protection for new pharmaceutical innovations.
Select committees: Energy - subject, Control of sulphur emissions by the electricity industry. Witnesses: National Power, Power Gen, and Dept of Energy (Room 8, 10 am)

Environment - Subject, DoE's main estimates. Witnesses: DoE officials. (Room 21, 10.30 am)

Foreign affairs - subject, Status of the Two Germanys. Witness: BBC World Service (Room 6, 10.30 am)

Agriculture - subject, Trade with Eastern Europe. Witnesses: Agricultural Engineers Association, Home Grown Cereals Authority, Meat and Livestock Commission, Food and Drink Federation, Milk Marketing Board, British Poultry Federation. (Room 18, 10.45 am)

Agriculture - subject, Trade with Eastern Europe. Witnesses: National Economic Development Office, East European Trade Council, Ministry of Agriculture, Fisheries and Food, Foreign and Commonwealth Office (Room 17, 4.15 pm).

Education and Science - subject, Science policy and the European dimension. Witnesses: CBI and European Science Foundation (Room 15, 4.15 pm)

Employment - subject, Tourism. Witnesses: British Tourist Authority and English Tourist Board. (Room 20, 4.15 pm)

Social Services - subject, Community care. Witnesses: Disablement Services Authority: The Disability Alliance and the Disability Benefits Consortium (Room 8, 4.15 pm)

Public Accounts - subject, Maternity services. Witness: D.K.Nicol (Room 16, 4.15 pm)

Transport - subject, Public Expenditure white paper. Witnesses: DoT officials (Room 6, 4.15 pm)

Committee on Private Bill: Cardiff Bay Barrage (Room 5, 10.30 am)

Thursday

Commons: Enterprise and New Towns (Scotland) Bill, remaining stages. Motion on EC document relating to automobile industry.
Lords: National Health Service and Community Care Bill, committee. European Parliament Electoral Reform Bill, committee.

Committee on Private Bill: Cardiff Bay Barrage (Room 5, 10.30 am).

Friday

Commons: Private Members' bills.

16	1382	2860	4523	6236	7564	9405	10913	12643	14259	16050
18	1411	2865	4532	6238	7565	9425	10924	12674	14260	16102
100	1421	2895	4550	6246	7583	9441	10953	12683	14266	16105
130	1431	2911	4555	6253	7587	9450	10962	12692	14296	16112
139	1439	2940	4586	6297	7696	9491	11005	12693	14349	16115
148	1441	2961	4597	6340	7631	9498	11014	12699	14387	16170
155	1451	2965	4599	6356	7650	9501	11028	12703	14418	16196
174	1467	3002	4604	6361	7659	9507	11081	12708	14431	16211
200	1495	3016	4632	6385	7661	9527	11082	12770	14441	16234
217	1530	3019	4638	6403	7668	9534	11091	12778	14507	16264
223	1545	3036	4639	6415	7698	9547	11133	12816	14555	16269
231	1562	3051	4704	6434	7752	9553	11143	12841	14572	16273
234	1572	3096	4706	6445	7781	9565	11167	12880	14576	16285
267	1592	3122	4761	6455	7838	9582	11173	12885	14607	16341
272	1621	3137	4782	6465	7840	9566	11183	12890	14616	16352
278	1629	3149	4817	6474	7863	9578	11189	12930	14620	16365
282	1634	3165	4839	6475	7867	9584	11234	12940	14624	16366
283	1636	3193	4857	6528	7871	9598	11254	12946	14647	16370
313	1640	3197	4876	6534	7879	9589	11274	12960	14651	16383
325	1653	3199	4898	6535	7919	9598	11283	12966	14660	16411
326	1656	3216	4909	6543	7923	9702	11287	12996	14661	16415
332	1659	3218	4923	6547	7942	9766	11292	13003	14684	16431
340	1672	3222	4939	6564	7985	9778	11312	13005	14686	16432
350	1693	3261	4940	6593	7994	9799	11319	13008	14697	16452
356	1749	3292	4986	6600	8010	9811	11320	13020	14710	16466
365	1756	3308	4994	6604	8014	9826	11369	13025	14718	16474
366	1772	3316	5008	6611	8023	9838	11371	13033	14728	16477
372	1786	3370	5015	6635	8063	9856	11373	13057	14739	16483
397	1805	3398	5016	6636	8071	9859	11386	13060	14741	16569
405	1814	3409	5030	6668	8092	9870	11419	13098	14760	16573
408	1816	3415	5044	6711	8110	9880	11422	13125	14778	16575
416	1829	3443	5056	6723	8113	9888	11423	13127	14779	16608
444	1837	3456	5084	6727	8116	9896	11435	13132	14801	16613
449	1844	3459	5099	6748	8138	9910	11442	13148	14803	16625
465	1856	3474	5109	6774	8174	9937	11463	13156	14856	16632
476	1873	3502	5115	6788	8175	9947	11479	13179	14871	16683
485	1891	3547	5117	6789	8210	9948	11483	13203	14890	16714
492	1898	3560	5119	6833	8227	9969	11495	13217	14898	16726
498	1902	3561	5165	6834	8248	9974	11511	13237	14911	16751
510	1916	3576	5169	6836	8271	9976	11572	13239	14945	16790
520	1925	3588	5171	6852	8288	9979	11588	13248	14951	16819
533	1927	3604	5211	6862	8333	9985	11629	13280	14956	16825
539	1932	3610	5215	6902	8381	9990	11675	13297	14959	16831
545	1939	3624	5219	6903	8408	9995	11716	13305	14980	16845
546	1946	3636	5251	6923	8416	10018	11719	13324	15003	16878
549	1971	3644	5281	6930	8424	10029	11741	13327	15019	16880
550	1988	3646	5295	6957	8432	10036	11745	13330	15060	16889
563	2001	3662	5308	6966	8440	10039	11766	13331	15067	16918
565	2008	3676	5316	6972	8455	10043	11769	13365	15074	16937
595	2016	3687	5332	7019	8518	10059	11789	13368	15093	16951
601	2017	3732	5384	7035	8520	10135	11822	13411	15114	16974
602	2024	3749	5407	7046	8542	10143	11833	13412	15136	17022
609	2038	3757	5408	7056	8545	10151	11838	13455	15147	17026
626	2046	3821	5416	7065	8546	10159	11863	13456	15160	17028
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

AUSTRIA

1990 High	Low	April 20	Price Sch
5,285	2,885	Austrian Airlines	5,040xr
7,300	4,982	Creditanstalt	6,600
7,930	5,690	Goesser	7,200
30,450	25,050	Interunfall	27,800
19,600	17,100	Jungbunzlauer	18,250
1,435	660	Laenderbank	1,360
14,230	8,350	OeMV	12,750
2,380	1,680	Perlmooser	2,140
3,400	2,530	Reininghaus	2,960
216	178	Semperit	185
240	115	Steyr-Daimler	237
1,510	980	Versicher Mag	1,390
770	425	Verbund	685

BELGIUM/LUXEMBOURG

1990 High	Low	April 20	Price Frs.
5,630	3,900	Arbed	5,520
3,520	2,800	B.B.L.	2,990
15,700	15,220	Bank Intl. a Lux	15,500
15,000	14,650	Banque Gen. Du Lux	14,850
37,000	33,000	Banque Nat Belg	33,225
2,430	1,865	Barco	2,275
16,650	14,025	Bekaert B	15,575
8,490	6,930	Ciment CBR	8,400
6,140	5,000	Cobepa	5,770
6,030	4,950	Do AFV 1	5,770
214	170	Cockerill	209
23,175	18,600	Colruyt	23,175
5,950	5,000	Delhaize	5,800
4,560	3,900	EBES	4,280

FRANCE (continued)

1990 High	Low	April 20
3,330	2,695	Bongrain
683	525	Bouygues
1,534	1,190	CGIP
235	163.3	CMB Packaging
3,667	3,065	Carrefour
215	141	Casino
630	489	Cetelem
1,376	1,052	Chargeurs
1,666	1,241	Ciments Fr
788	636	Club Mediterranee
432	385	Cofimeg
408	352	Cogifi
640	517	CGE
629	343	Coparex
249.2	213.5	CCF
1,399	1,219	Cred Foncier Fr
751	650	Cred Lyon
1,502	1,183	Credit National
4,330	3,410	Damart
5,770	3,800	Docks de France
643	542	Dollfuss-Mieg
646	485	Dumez S.A.
2,709	2,015	Eaux (Cie Gen)
604	454	Ecco
1,065	880	Electrofin
689	511	Elf-Aquitaine
502	406	Do. Certs
1,400	1,260	Essilor-Be...
3,020	2,400	Essilor
2,499	1,760	Eternit (F)
2,690	2,100	Eurafrance
2,080	1,741	Eurocom

INDICES

NEW YORK

DOW JONES	Apr 20	Apr 19	Apr 18	Apr 17	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2695.95	2711.94	2732.88	2765.77	2810.15 (2/1)	2543.24 (30/1)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	89.76	89.94	89.91	90.19	93.04 (3/1)	89.76 (20/4)	—	—
Transport	1154.87	1160.56	1172.12	1185.63	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.39	211.33	211.96	213.72	236.23 (2/1)	208.19 (20/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2722.07 (2742.12) Low 2668.47 (2700.00)

STANDARD AND POOR'S	Apr 20	Apr 19	Apr 18	Apr 17	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	335.12	338.09	340.72	344.68	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	389.90	392.74	395.81	400.29	411.20 (2/1)	371.92 (30/1)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.37	27.78	28.06	28.40	31.87 (3/1)	[illegible]	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	184.06	185.57	186.93	188.91	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	347.96	350.73	353.22	354.72	382.45 (5/1)	345.50 (30/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	425.79	429.00	431.52	435.42	[illegible] (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Apr 6	Mar 30	Mar 23	year ago (approx.)
Dow Industrial Div. Yield	4.03	4.06	4.06	3.62

	Apr 18	Apr 11	Apr 4	year ago (approx.)
S & P Industrial div. yield	3.05	3.04	3.05	3.26
S & P Indl. P/E ratio	15.08	15.13	15.09	12.85

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Harcourt B.	2,959,200	4	- ¼
Gen. Motors	2,132,100	46¼	- ¼
Philip Morris	2,020,700	41	-
Gen. Electric	1,954,200	65½	- ¼
Exxon	1,772,800	46⅞	+ ⅛
Du Pont	1,749,700	36⅝	- 1
AT & T	1,735,500	40⅞	...
IBM	1,655,300	109¾	+ ¼
Citicorp	1,654,400	23¾	- ½
Texas Inst.	1,567,300	33½	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Apr 20	Apr 19	Apr 18
New York	174.260	152.930	147.130
Amex	11.218	10.734	11.675
NASDAQ	[illegible]	145.642	149.750
Issues Traded	1,972	1,988	1,996
Rises	395	489	471
Falls	1,076	962	1,052
Unchanged	501	537	473
New Highs	11	12	17
New Lows	98	70	67

CANADA

TORONTO	Apr 20	Apr 19	Apr 18	Apr 17	1990 HIGH	1990 LOW
Metals & Minerals	2898.20	2946.60	2971.50	2985.20	3453.05 (4/1)	2898.20 (20/4)
Composite	3355.70	3410.70	3476.50	3513.40	4009.47 (3/1)	3355.70 (20/4)
MONTREAL Portfolio	1730.45	1747.71	1782.64	1803.83	2060.90 (3/1)	1730.45 (20/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr 20	Apr 19	Apr 18	Apr 17	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1492.3	1495.0	1501.4	1499.2	1713.7 (12/1)	1492.3 (20/4)
All Mining (1/1/80)	743.5	748.0	760.6	762.5	860.8 (5/1)	743.5 (20/4)
AUSTRIA						
Credit Aktien (30/12/84)	659.31	657.81	667.92	673.98	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6136.45	6122.68	6122.64	6142.13	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	364.17	360.32	363.79	364.40	380.47 (28/3)	358.77 (2/1)
FINLAND						
Unitas General (1975)	591.0	592.2	596.9	601.5	677.3 (23/1)	590.5 (2/1)
FRANCE						
CAC General (31/12/82)	550.23	544.45	553.79	553.07	554.7 (5/1)	482.94 (26/2)
CAC 40 (31/12/87)	2129.32	2097.12	2098.68	2126.34	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	798.75	793.40	802.56	809.73	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2316.2	2340.8	2327.6	2349.5	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1884.93	1878.87	1889.76	1914.35	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3067.30	3067.67	3052.35	3030.44	3067.67 (19/4)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1716.45	1707.37	1712.77	1717.95	1893.10 (22/1)	1707.37 (19/4)
ITALY						
Banca Com. Ital. (1972)	705.36	707.00	713.01	713.06	713.06 (17/4)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	29835.44	29945.41	29249.06	28461.60	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2214.16	2213.49	2167.96	2128.57	2867.70 (4/1)	2058.82 (3/4)
2nd Section (4/1/68)	3562.20	3551.43	3524.56	3507.80	4224.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	541.88	546.47	550.39	553.26	622.20 (20/2)	532.04 (9/4)
NETHERLANDS						
CBS Tlt.Rtn.Gen.(End 1983)	259.0	258.4	259.7	258.2	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	197.7	197.2	198.6	197.6	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (2/1/83)	790.03	788.24	796.29	794.80	845.40 (16/3)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1075.31	1084.67	1094.52	1096.77	1160.70 (21/3)	1014.09 (5/3)
SINGAPORE						
SES All-Singapore (2/4/75)	417.67	419.97	420.58	419.31	443.34 (6/2)	413.64 (24/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1808.0	1833.0	1803.0	1801.0	2230.0 (16/1)	1803.0 (18/4)
JSE Industrial (28/9/78)	2869.0	2873.0	2871.0	2873.0	3211.0 (6/2)	2795.0 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	767.45	768.31	781.59	796.56	928.82 (4/1)	767.45 (20/4)
SPAIN						
Madrid SE (30/12/85)	277.97	275.66	276.49	269.91	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1172.4	1159.60	1153.50	1146.90	1317.88 (12/1)	1127.30 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	753.9	748.7	752.3	752.6	787.2 (11/1)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	9292.39	8830.57	8994.40	9291.61	12495.34 (10/2)	8830.57 (19/4)
THAILAND						
Bangkok SET (30/4/75)	840.56	834.99	835.90	843.97	918.67 (5/1)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	487.6	484.3	482.6	571.0 (4/1)	468.3 (2/4)

**Saturday Apr 14: Taiwan Weighted Price: 9436.12 Korea Comp Ex. 793.14

§ Subject to official recalculation. † Correction.

ß Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

CANADA

TORONTO
Closing prices April 20

Quotations in cents unless marked $.

TOKYO - Most Active Stocks
Friday April 20 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Isuzu Motors	34.9m	1,010	+71	Nippon Mining	19.6m	904	-35
Mitsui Eng&Shp	34.4m	930	-15	MHI	17.4m	950	-18
Nippon Steel	33.5m	595	-13	Casio Computer	15.4m	1,740	+100
Sumitomo Heavy	28.2m	845	+72	Hitachi Zosen	13.8m	818	-27
NKK	19.6m	567	-13	Sasebo Heavy	13.7m	1,000	-10

MONTREAL
Closing prices April 20

Total Sales 6,662,250 shares.

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices.

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AUTHORISED UNIT TRUSTS

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES

[illegible]

OFFER PRICE

The price at which units may be bought

BID PRICE

The price at which units may be sold

CANCELLATION PRICE

[illegible]

TIME

[illegible]

HISTORIC PRICING

[illegible]

FORWARD PRICING

[illegible]

SCHEME PARTICULARS AND REPORTS

[illegible]

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American Opps	5	52.30	53.30	56.85	0.20	41506
(Accum Units)	5	53.82	54.85	58.50	0.20	41507
European Opps	5	77.81	78.10	83.29	0.00	41508
(Accum Units)	5	78.24	78.53	83.75	0.00	46366
Far Eastern Opps	5	132.76	132.98xd	141.83	0.00	41509
(Accum Units)	5	133.61	133.83xd	142.74	0.00	41510
Golden Opps	5	38.39	38.39	40.94	0.00	41511
(Accum Units)	5	39.49	39.49	42.11	0.00	46367
Intl Hi-Yield	5	59.92	59.95	63.94	4.32	41512
(Accum Units)	5	65.32	65.35	69.70	4.31	46368
Sanyo Japan Tst	5	62.91	62.91xd	67.10	0.00	41513
(Accum Units)	5	62.91	62.91xd	67.10	0.00	41514
Kangaroo	5	30.12	30.12	32.11	1.30	41515
(Accum Units)	5	30.29	30.29	32.30	1.30	46369
Oriental Income	5	33.30	33.35xd	35.56	4.92	41516
(Accum Units)	5	37.83	37.89xd	40.40	4.92	41517
Tiger	5	150.13	150.13xd	160.13	0.69	41520
(Accum Units)	5	152.79	152.79xd	162.76	0.69	41521
UK Hi-Yield	5	42.22	42.22	45.03	5.08	41522
(Accum Units)	5	48.28	48.28	51.49	5.08	46302
UK Opps	5	53.20	55.78	59.65	0.71	41523
(Accum Units)	5	57.38	60.69	64.90	0.71	41524

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Balanced Portfolio	6	90.82	92.42	98.32	4.00	47962

Timberlake Unit Trust Mngrs Ltd (0900)F
1 White Hart Yard, London SE1 1NX 01 407 5966

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Portfolio	2	97.92	97.92	100.63	1.18	–

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250
4 Hourly Pricing – 12 Noon Historic

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
TR American Grwth	5¼	47.19	47.19	50.33	0	41535
TR Eur Sp Sits Acc	5¼	45.72	45.72	48.69	0	41536
TR Eur Sp Sits Inc	5¼	44.84	44.84xd	47.74	0	41527
TR Far East Opps Inc	5¼	23.44	23.44	24.93	–	41660
TR Far East Opps Acc	5¼	23.44	23.44	24.93	–	41665
TR General Growth	5¼	72.19	72.19	76.79	2.67	41533

NM Rothschild Asset Management Ltd

	Bid Price	Offer Price	Yield Gross	City-line
NC Managed	58.0	59.6xd	3.35	40339
NC Property	191.9	209.7xd	–	41205

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Inst Exempt	142.9	144.4	3.58	40172

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Saints PPP Mar 14	255.5	269.01	0.00	41422

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Managed Exempt Apr 17	101.53	107.62xd	3.84	46975
(Accum Units)	100.74	108.46xd	3.84	46976

Touche Remnant Unit Tst Mngt Ltd

	Bid Price	Offer Price	Yield Gross	City-line
TR Exempt European	1248	1264xd	1.43	47801
TR Exempt Nth Amer	969	983xd	3.31	47802
TR Exempt Pac Basin	865	877xd	0	47803

INSURANCES

AA Friendly Society
(Investment Mngt: M & G Inv Mngt Ltd)

	Bid Price	Offer Price	Yield Gross	City-line
AA Friendly Sr Abr 12	–	166.1	–	41407

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	Yield Gross	City-line
Prop. Ser 1	298.6	314.4	–	41608
Equity Ser 1	126.1	132.8	–	41609
Prop. Acc. Ser 2	460.2	484.5	–	41610
Equity Ser 2	146.3	154.1	–	41611
Selective Acc	336.8	354.6	–	41612
Prop. Ser 4	360.5	379.5	–	41613

OTHER UK UNIT TRUSTS

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Clerical Medical Investments Group
Narrow Plain, Bristol BS2 0JH 0272-290566

Guardian Royal Exchange—Contd.

Laurentian Life plc—Contd.

Legal & General (Unit Assur) Ltd

Merchant Investors Assurance Co. Ltd – Contd.

For FS Assur Ltd see Britannia Life Ltd

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National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Providence Capital Life Assc. Co Ltd

Providence Capital Life Assc. Co Ltd – Contd.

Provident Life Assoc Ltd

Provident Mutual Life Ass. Assn.

Prudential Assurance Co

Prudential Holborn Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd – Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd – Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group – Contd.

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Life Assurance Co Ltd – Contd.

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plnrs.) Ltd

The Analysis Group PLC

Blackstone Franks Plc

Bryan Wells & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

Clifton Financial Mgmnt Ltd

Drummond Moores Plc

Edinburgh Fund Managers plc

Fairmount Ginn Raja Ltd

Gartmore Fund Managers Ltd

Hinton Hill (L & P) Ld

Hurstminster Financial Services (CY) Ltd

Investment Portfolio Services Ltd

L.P.S. Lamont plc

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

M & E Financial Management Plc

Macartney & Dowie F.S. Ltd

Marsh Financial Management PLC

O'Halloran & Co(Coventry)

PBR Fund Management Ltd

Petley & Co Ltd

Roxborough Financial Management Ltd

Rutland Ins Bkg & Inv Grp ("RBIG")

Sharp (Albert E.) & Co.

Sitala Fund Managers Limited

South Yorks Investment Management

Tattersall Investment Mngt. Ltd

Towry Law & Co

Towry Law & Co – Contd.

J. D. Ward Financial Services Ltd

Westcourt Asset Management Ltd

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

BBV-Hambros Asset Mngmt (Guernsey) Ltd

Ciena International Fund Mngrs (CI) Ltd

Gartmore Invest Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Midland Samuel Investment Managers

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G Island Fund

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

JERSEY (SIB RECOGNISED)

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd

Capital House Fund Mgrs – Contd.

Gartmore Fund Managers International Ltd

John Govett (Channel Islands) Ltd

Hill Samuel Fund Mgrs (Jsy) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

MIM Britannia International (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd

TSB Trust Funds (CI)

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs

Asset Global Funds

CMI Fund Managers (IoM)

Equity & Law Intl Fund Mngrs Ltd

Gartmore Fund Managers (IoM)

Refuge Overseas

Sun Life Management (IoM) Ltd

LUXEMBOURG (SIB RECOGNISED)

Aktna Federated Intl Mngrs (Lux) SA

Barclays Intl Funds (Luxembourg)

CMI Asset Management (Luxembourg) SA

Commercial Union Luxembourg SA

Dresdnerbank Asset Mngmt SA

Eagle Star Intl Global Assets Fund

Fleming Group

Gartmore Luxembourg SA

Henderson Management SA

Hill Samuel Investment Services Intl SA

Hypo Foreign & Colonial P'folio Fd Sicav

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

DUBLIN (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

هكذا من الأصل

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Caution surrounds yen and sterling

Caution mixed with a little optimism described reaction to a rally by the yen and sterling towards the end of last week.

UK clearing bank base lending rate 15 per cent from October 5

Mr Neil MacKinnon, chief economist at Yamaichi in London, said Group of Seven intervention to support the yen was minimal last week, but the market showed reluctance to push the dollar through Y160. He suggested this reflected the dollar's vulnerability to profit taking because, although the US trade figures were encouraging, good figures were already built into the currency's value.

He added that Japanese investors had also taken profits in US Treasury bonds to offset recent losses on Japanese bonds and equities. These factors have turned the yen round, although in the longer term Mr Mackinnon believes higher Japanese interest rates will be required to support the currency.

Mr David Deakin at Nikko Bank in London thinks that the weakness of the D-Mark is contributing to the yen's improvement. He said that a more stable performance by Japanese equities is also encouraging money to move back into that market.

Sterling has been helped by the D-Mark's decline, riding up on the yen's coat tails, but Mr Nick Parsons, economist at Union Discount is worried that it is only because the yen has been suffering so badly that the pound has remained relatively pressure free.

However, Mr MacKinnon has some words of comfort for the pound, saying that Japanese investors are pushing funds towards high yielding currencies, although Wednesday's UK trade figures will provide a test.

£ IN NEW YORK

Apr.20	Close	Previous Close
£ Spot	1.6380-1.6390	1.6445-1.6455
1 month	0.88-0.86pm	0.88-0.85cpm
3 months	2.60-2.57pm	2.60-2.58cpm
12 months	9.45-9.40pm	9.45-9.35pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

Apr.20	Bank of England Index	Morgan** Guaranty Changes %
Sterling	87.2	-24.3
U.S Dollar	68.3	-10.1
Canadian Dollar	105.1	+2.0
Austrian Schilling	110.1	+12.2
Belgian Franc	111.3	-3.3
Danish Krone	111.3	+6.5
Deutsche Mark	119.2	+25.0
Swiss Franc	109.9	+17.8
Guilder	115.0	+16.8
French Franc	105.2	-11.6
Lira	101.8	-17.9
Yen	118.4	+47.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Apr.19.

STERLING INDEX

		Apr.20	Previous
8.30	am	87.2	87.0
9.00	am	87.1	87.0
10.00	am	87.1	86.9
11.00	am	87.1	87.0
Noon		87.2	87.1
1.00	pm	87.2	87.1
2.00	pm	87.1	87.2
3.00	pm	87.1	87.1
4.00	pm	87.1	87.1

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6355	1.6268	1.6097	1.5847	1.5414

IMM-STERLING $s per £

	Close	High	Low	Prev.
Jun	1.6242	1.6266	1.6180	1.6296
Sep	1.5992	1.6014	1.5940	1.6046
Dec	1.5756	1.5750	1.5740	1.5810

CURRENCY RATES

Apr.20	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.794426	0.740495
U.S Dollar	7	1.30826	1.21626
Canadian $	13.32	1.51994	1.41366
Austrian Sch.	6½	15.3930	14.3957
Belgian Franc	10¼	45.3149	42.3108
Danish Krone	10½	8.33820	7.78408
Deutsche Mark	6.00	2.18741	2.04502
[illegible]			

† European Commission Calculations. * All SDR rates are for Apr.19

OTHER CURRENCIES

Apr.20	£	$
Argentina	8270.65-8292.10	5040.00-5050.00
Australia	2.1290-2.1300	1.2965-1.2975
Brazil	96.7895-98.4900	59.0000-60.0000
Finland	6.5250-6.5456	3.9745-3.9775
Greece	269.25-269.55	164.10-164.20
Hong Kong	12.7895-12.8025	7.7915-7.7935
Iran	115.80*	70.40*
Korea(Sth)	1152.30-1170.88	702.90-708.50
Kuwait	0.48170-0.48220	0.29320-0.29330
[illegible]		

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Apr.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6340-1.6450	1.6350-1.6360	0.88-0.86cpm	6.38	2.60-2.57pm	6.32
Canada	1.9005-1.9140	1.9010-1.9020	0.30-0.22cpm	1.64	0.74-0.62pm	1.43
Netherlands	3.10¼-3.11¼	3.10¼-3.11¼	1¾-1⅝cpm	6.05	4⅝-4⅜pm	5.79
Belgium	56.75-57.25	57.00-57.10	33-21cpm	5.68	76-58pm	4.70
Denmark	10.49-10.52½	10.49-10.50	3⅛-2⅞orepm	3.57	9⅞-9⅛pm	3.62
Ireland	1.0280-1.0360	1.0300-1.0310	0.32-0.27cpm	3.44	0.87-0.77pm	3.18
W. Germany	2.75¾-2.76½	2.76-2.76½	1¾-1⅝pfpm	7.33	4⅝-4½pm	6.52
Portugal	243.00-244.90	243.00-244.00	1-18cdis	-0.47	69-95dis	-1.35
Spain	174.30-175.00	174.30-174.60	17-8cpm	0.86	45-30pm	0.86
Italy	2024¼-2029½	2027½-2028½	6-4lirepm	2.96	16-14pm	2.96
Norway	10.68¾-10.74¼	10.71¼-10.72¼	3⅛-2⅛orepm	3.29	7⅞-7⅛pm	2.75
France	9.26-9.29	9.26¼-9.27¼	3⅞-3⅛cpm	4.93	11⅜-11⅛pm	4.99
Sweden	9.98¾-10.03	9.98¾-9.99¼	1⅛-1orepm	1.28	3⅝-3⅛pm	1.43
Japan	257½-259½	257½-258½	1⅞-1⅝ypm	7.85	4⅞-4⅝pm	7.36
Austria	19.33-19.44	19.41-19.44	10⅝-9⅛gropm	6.26	29⅞-27⅝pm	5.92
Switzerland	2.43¼-2.44¼	2.43¾-2.44¾	1⅛-1cpm	5.23	3⅝-3⅛pm	5.33
ECU	1.3490-1.3505	1.3490-1.3500	0.52-0.49cpm	4.49	1.51-1.46pm	4.40

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.11-5.06cpm 12 month 9.46-9.36cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6340-1.6450	1.6350-1.6360	0.88-0.86cpm	6.38	2.60-2.57pm	6.32
Ireland†	1.5875-1.5965	1.5880-1.5890	[illegible]	[illegible]	1.30-1.20pm	3.51
Canada	1.1610-1.1635	1.1620-1.1630	0.44-0.47cdis	-4.70	1.42-1.47dis	-4.97
Netherlands	1.8855-1.9005	1.8995-1.9005	0.01dis-0.01pm	-	par-0.03dis	-0.03
Belgium	34.70-34.90	34.85-34.95	2.00-8.00cdis	-1.73	9.00-19.00dis	-1.61
Denmark	6.38¾-6.40¼	6.41¼-6.42	1.50-1.80oredis	-3.10	3.95-4.65dis	-2.69
W. Germany	1.6770-1.6895	1.6880-1.6890	0.06-0.04pfpm	0.36	0.13-0.10pm	0.27
Portugal	148.90-149.45	149.35-149.45	80-90cdis	-6.85	280-295dis	-7.72
Spain	106.20-106.50	106.40-106.50	[illegible]	-5.47	142-150dis	-5.49
Italy	1232-1240½	1239¾-1240¼	3.00-4.00liredis	-3.40	9.50-11.50dis	-3.40
Norway	6.51¾-6.53½	6.55-6.56½	1.65-2.00oredis	-3.35	5.40-6.10dis	-3.52
France	5.63½-5.67½	5.66¼-5.67¼	0.58-0.63cdis	-1.29	1.72-1.82dis	-1.25
Sweden	6.09-6.11¼	6.10¼-6.11¼	2.43-2.58oredis	-4.93	7.35-7.70dis	-4.94
Japan	157.10-157.95	157.75-157.85	0.17-0.15ypm	1.22	0.47-0.44pm	1.15
Austria	11.80½-11.83½	11.82¼-11.83	0.05-0.40grodis	-1.69	0.55-1.55dis	-2.63
Switzerland	1.4800-1.4920	1.4905-1.4915	0.15-0.18cdis	-1.33	0.34-0.39dis	-0.98
ECU	1.2115-1.2185	1.2115-1.2125	0.21-0.20cpm	2.04	0.59-0.56pm	1.91

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Apr.20	£	$	DM	Yen	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1	1.636	2.763	258.0	9.273	2.438	3.108	2028	1.902	57.05
$	0.611	1	1.689	157.7	5.668	1.490	1.900	1240	1.163	34.87
DM	0.362	0.592	1	93.38	3.356	0.882	1.125	734.0	0.688	20.65
YEN	3.876	6.341	10.71	1000.	35.94	9.450	12.05	7860	7.372	221.1
F Fr.	1.078	1.764	2.980	278.2	10.	2.629	3.352	2187	2.051	61.52
S Fr.	0.410	0.671	1.133	105.8	3.804	1	1.275	831.8	0.780	23.40
[illegible]										

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.20) 3 months US dollars / 6 months US Dollars

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from April 1, 1990; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

CHICAGO

[illegible]

Previous day's open int: Calls N/A Puts N/A (All currencies)
Previous day's volume: Calls N/A Puts N/A (All currencies)

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY APRIL 20 1990 US Dollar Index	% change since Dec.29 '89	Pound Sterling Index	Local Currency Index	% change local currency since Dec.29 '89	Gross Div. Yield	THURSDAY APRIL 19 1990 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1990 High	1990 Low	Year ago (approx)
Australia (81)	134.57	-11.1	121.99	116.09	-8.9	5.97	135.43	122.13	116.51	156.31	133.38	130.28
Austria (19)	271.89	+49.2	246.47	237.46	+48.5	1.12	273.80	246.92	238.27	285.63	193.15	122.78
Belgium (61)	147.77	-4.5	133.95	127.18	-6.3	4.53	148.18	133.63	126.81	160.02	132.11	138.37
Canada (120)	131.44	-13.6	119.15	110.64	-13.3	3.64	133.37	120.28	112.22	153.61	131.44	136.33
Denmark (36)	248.32	+2.5	225.10	216.74	+0.0	1.51	246.85	222.61	214.20	260.82	236.69	179.81
Finland (26)	133.64	+0.3	121.15	111.51	-1.4	2.40	135.66	122.34	112.99	152.29	130.39	155.30
France (125)	165.91	+6.3	150.40	147.56	+4.2	2.69	164.67	148.50	145.62	166.43	141.69	122.79
West Germany (94)	132.34	+7.0	119.96	116.17	+6.5	1.86	132.39	119.39	115.42	137.71	122.05	86.29
Hong Kong (46)	126.88	+8.3	115.02	126.94	+8.2	4.90	126.90	114.44	126.96	126.90	112.24	131.11
Ireland (17)	187.54	+3.3	170.00	166.35	+1.0	2.58	188.24	169.76	165.72	198.57	181.49	148.64
Italy (96)	101.65	+3.3	92.14	94.13	+1.0	2.44	102.46	92.40	94.29	103.73	91.85	83.77
Japan (454)	136.67	-30.8	123.89	136.32	-24.0	0.60	137.84	124.30	136.31	197.26	124.40	187.89
Malaysia (35)	213.51	-6.8	193.55	223.54	-6.1	2.41	214.97	193.86	225.03	245.32	208.65	178.00
Mexico (13)	411.51	+26.4	373.03	1262.94	+31.9	0.41	412.02	371.57	1260.68	412.02	324.53	175.06
Netherland (43)	139.76	-2.9	126.69	121.19	-3.4	4.66	140.52	126.73	121.03	145.66	130.43	122.06
New Zealand (17)	63.18	-12.4	57.27	57.48	-10.8	7.63	62.31	56.19	56.91	75.36	60.31	68.25
Norway (24)	227.33	+13.7	206.07	202.18	+13.0	1.58	229.21	206.71	202.77	245.90	202.34	195.16
Singapore (26)	187.99	+6.1	170.41	162.39	+4.7	1.85	189.88	171.24	163.98	199.38	179.70	152.08
South Africa (60)	184.26	-6.2	167.03	159.51	+4.9	3.71	185.47	167.26	160.56	251.39	180.87	143.30
Spain (42)	153.75	-5.7	139.38	123.99	-8.3	4.28	151.87	136.96	121.96	165.19	132.84	155.39
Sweden (35)	187.07	-2.6	169.58	169.21	-3.9	2.37	185.79	167.54	167.43	206.95	173.89	157.03
Switzerland (65)	90.73	-3.6	82.24	83.86	-6.8	2.34	91.16	82.21	83.78	99.12	86.75	76.65
United Kingdom (308)	145.31	-8.4	131.72	131.72	-9.7	5.01	145.92	131.59	131.59	164.31	144.89	146.76
USA (537)	135.58	-5.2	122.90	135.58	-5.2	3.55	136.70	123.28	136.70	145.40	130.61	125.84
Europe (989)	140.18	-1.5	127.07	124.47	-3.0	3.56	140.36	126.58	123.92	146.66	135.57	121.10
Nordic (121)	189.48	+1.1	171.76	161.90	-0.6	1.93	188.63	170.28	160.59	201.89	165.01	155.29
Pacific Basin (661)	136.15	-29.3	123.42	134.99	-22.8	0.94	137.27	123.79	135.01	192.75	124.63	182.98
Euro-Pacific (1650)	138.14	-20.0	125.23	131.38	-16.0	2.02	138.88	125.25	131.15	174.18	130.35	158.25
North America (657)	135.24	-5.8	122.59	133.93	-5.7	3.55	136.41	123.02	135.08	145.78	131.02	126.37
Europe Ex. UK (683)	135.06	+3.0	122.43	119.40	+1.5	2.71	135.00	121.75	118.63	136.21	124.81	105.01
Pacific Ex. Japan (207)	129.32	-4.2	117.23	116.52	-2.8	5.20	129.80	117.06	116.81	139.32	126.77	126.50
World Ex. US (1843)	138.52	-19.6	125.57	131.27	-15.6	2.09	139.30	125.63	131.12	173.77	131.30	157.36
World Ex. UK (2074)	135.56	-15.8	122.88	132.69	-12.6	2.34	136.48	123.08	133.01	162.00	130.80	144.86
World Ex. So. Af. (2320)	136.12	-15.2	123.39	132.87	-12.5	2.58	137.02	123.56	132.64	161.84	131.95	145.02
World Ex. Japan (1926)	137.65	-4.1	124.78	130.76	-4.4	3.62	138.41	124.82	131.18	145.52	135.25	124.63
The World Index (2380)	136.41	-15.1	123.66	132.56	-12.4	2.59	137.31	123.83	132.84	162.05	132.25	145.01

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

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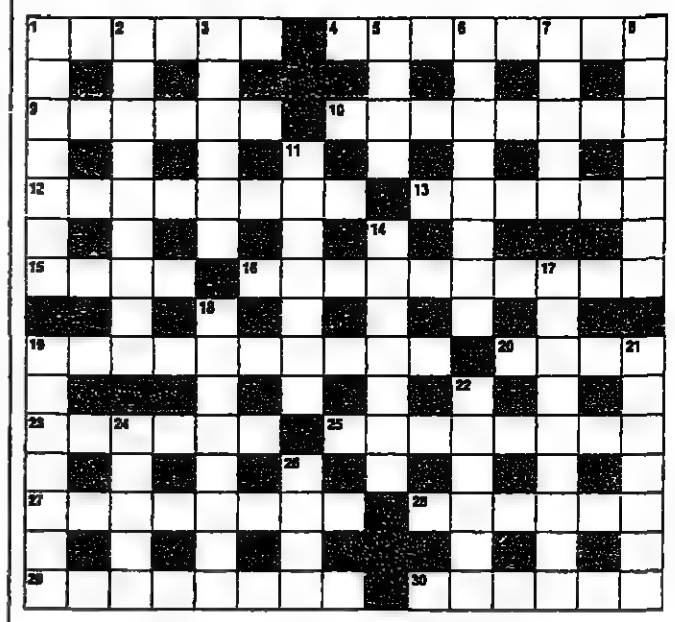
Constituent changes: Addition: Den Norske Bank (Norway)(19/4). Deletions: Laing Props.(UK)(18/4), Bergen Bank (Norway)(19/4) and Den Norske Creditbank (Norway)(19/4).

CROSSWORD

No.7,220 Set by TANTALUS



ACROSS

1 and 4 Depressed having to eat feathers? (4,2,3,5)
9 Look into new liquid preparation (6)
10 Prepare chap to be resonant (8)
12 I ran hard training nag (8)
13 Sir Thomas entertains a liberal showing spirit (6)
15 Elegant cow (4)
16 Dane talking (10)
19 Before rhetoric, make a prophecy (10)
20 Eurasian mammal stops short seeing a portico (4)
23 Member makes tea for messenger (6)
25 Hobby providing profit (8)
27 Time to get modern ring? No, 14th century (8)
28 Energy to see Spanish port and old city (6)
29 Cherish jewels (8)
30 Xantippe set aside money in here (6)

DOWN

1 Hold pin out to catch fish (7)
2 Canal scandal in 1972 (9)
3 One boy in charge is sarcastic (6)
5 In a word, a bad don (4)
6 Some go on playing with Indian animal (8)
7 Fashionable male gathering meet theologians (5)
8 Fiery person at school? (7)
11 Wild colt ate skullcap (7)
14 These days low resort has French civil officer (7)
17 Declared stake (9)
18 Girl's hair causing anguish (8)
19 Wan little child has loose overcoat (7)
21 I stare dreamily upon a precious stone (7)
22 About to go to border to live (6)
24 Oriental supports Austrian composer climbing to find bird (5)
26 Prison commotion (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 5.

JOTTER PAD

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

[illegible]

AMERICANS—Contd

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,216.1	ANZ SA1	236	-1.3	8.4	8.1	Feb July	1698
2,449.7	Abbey National 10p	187	-2.1	4.1	12.3	Apr Oct	5411
1,476.8	Allied Irish Ord	264	+0.4	3.0	27.11	Dec July	1354
1,323.4	Algemene Fl 10	£12½	+3.5	6.9	2.5	Aug May	1567
31.1	Anglo Irish	78	-2.5	5.7	27.11	Jan Aug	1355
128.8	Ansbacher (H.) 1p	69	-4.2	4.8	12.3	April	1624
1,201.7	Bancaire Cie Fr100	£70¾	+0.2	2.0	9.5	May Mar	2202
4,033.2	Banco Bilbao Viz	£16¾	......	4.3	9.12	Dec June	-
2,738.7	Banco de Santander	£24¼	.....	4.7	31.10	Apr Oct	-
868.2	Bank Ireland IrC1	264	-1.9	4.5	27.11	July Dec	1360
134.4	Bank Leumi	£19½	.....	-	-	-	1740
23.6	Bank Leumi (U.K.)	345	.....	5.2	26.2	Mar Sep	1740
844.7	Bank Scotland	112	.....	4.5	2.10	Nov June	1742
92.3	Do. 9¼pc Irrd Pf	92¼	+0.5	13.4	30.10	May Nov	1462
15.7	Bank of Wales	49	-5.8	7.6	2.10	Nov Jun	1743
4,024.6	Barclays £1	536	-6.6	6.8	12.3	Oct May	1754
8.05	Benchmark 20p	15	-6.3	14.4	9.4	May Oct	1802
50.2	Brown Shipley £1	315	.....	4.4	27.11	Jan Aug	1983
74.8	Cater Allen £1	394	-2.2	8.0	27.11	Jan. July	2081
32.8	Chancery	161	-2.4	6.6	27.11	Jan July	2102
468.9	Commerzbk DM10	£20¼	+0.3	3.2	27.5	May	1046
330.2	C'hgn.Hbk.Kr100	£24¼	-0.5	5.6	20.3	March	2237
24,719.1	Dai Ichi KBk Y50	882	+4.8	0.3	4.7	June	3221
8,630.1	Deutsche Bk DM50	£284½	-3.0	1.8	11.5	May	2345
140.6	Espirito Santo	£19¾	+0.6	2.3	-	June	5187
354.6	First Nat. Fin 10p	225	-2.5	7.7	15.1	Mar Aug	2571
57.2	FNFC 6.3pc Cv Pf	118	.....	7.1	27.12	July	2570
25,847.6	Fuji Bank Y50	992	-3.2	0.3	4.7	Dec June	1084
104.8	Gerrard & National	275	-1.4	9.0	30.10	June Dec.	2686
94.6	Guinness Mahon 10p	144	.....	1.9	27.12	Jan Feb	5074
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

MOTORS, AIRCRAFT TRADES

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
320.2	DAF N.V. Fl5	£11¼	–2.4	7.5	–	Jun	4773
–	General Mus Units	142	+1.4	5.3	12.2	Mr Jn Sp D	2678
10.1	March Group 5p ...ψ	30xr	–3.2	–	8'88	–	3284
5,517.6	Volkswagen DM50	£209	–3.4	1.7	–	July	–
1,900.0	Volvo Kr25	£36½	+1.0	4.5	27.4	May	4410

Commercial Vehicles

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
19.1	ERF (Hldgs) ...ψ	196	–3.4	10.2	27.12	Jan Aug	2397
53.0	Plaxton Grp ...ψ	148	–0.7	8.1	26.3	Dec May	3675

Components

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
9.16	Abbey Panels	45	......	1.0	15.1	Sept Feb	1501
18.1	AirFlow Streamlines ψ	212	+1.0	3.8	30.10	Jan July	1538
17.8	Bostrom 5p ...ψ	155xd	–7.7	4.9	9.4	May Nov	1438
520.7	Dowty 50p	275	–1.8	5.0	27.12	Mar Oct	2371
117.6	FR Group	159	–1.9	4.6	30.10	Dec July	2627
115.8	Kwik-Fit Hldgs. 10p	72	+2.9	4.5	2.10	Nov Jan	3113
1031.1	Lucas Inds. £1	603xd	+0.2	5.5	9.4	Jun Jan	3232
3.18	ψSpice 5p ...ψ	12	......	‡	4.7	August	4075

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ψAcorn Securities 20c	6	......	–	–	–	1518
–	ψAfro-West 20c	2	......	–	–	–	4837
163.1	ψACM 50c	84	+3.7	1.6	–	–	1696
212.7	ψACM Gold	62	......	8.6	–	–	1371
–	ψAquarius Expln NL	3	......	–	–	–	4835
3.35	ψArboyne 50c	10	......	–	–	–	–
–	ψAuDAX Res 25c	3	......	–	–	–	4606
–	ψAustralis Mining N.L.	2½	......	–	–	–	1703
–	ψAztec Expln	42	......	1.1	–	–	4624
227.9	BHP Goldmines 25c	23½	–6.0	–	–	–	1025
45.8	ψBarrack Mines	65	–13.3	–	–	–	4256
29.6	ψBond Corpn. 50c	7½	......	–	–	–	1870
224.6	ψBougainville 1 Kina	56	+7.7	–	28.9	–	1922
–	ψBrunswick $1	2½	......	–	–	–	–
2,???	ψCRA $2	517	–1.1	5.7	31.10	May Nov	2365
–	ψCarr Boyd 20c	26	......	8.7	–	–	2074
–	ψCentral Pacific	37	–2.6	–	–	–	2093
–	ψCroesus Mining N.L.	5	......	14.8	–	–	4825
–	ψDelta Gold 25c	25	–7.4	–	–	–	–
90.3	ψDominion Mining	66	–1.5	1.4	–	March	5084
1.09	ψDragon Res. 25c	5	......	–	–	–	4844
165.3	ψElders Resources	55	–1.8	11.8	–	–	–
34.1	ψEmperor Mines	69	–1.4	–	–	–	2460
–	ψEndeavour 20c	2	......	–	–	–	2462
16.3	ψForsayth NL	22	+15.8	14.8	–	–	4845
–	ψGolconda Mins NL 20c	1½	......	–	–	–	–
76.5	ψGM Kalgoorlie 5c	45½	–2.2	–	5.10	Mr Jy Oct	2720
11.5	ψGwalia Gldns 25c	11	–8.3	–	–	–	4203
27.0	ψGwalia Resources 20c	78	–2.5	4.6	–	May Dec	4842
–	ψJason Mining 20c	4	......	–	–	–	3051
–	ψJulia Mines NL	4	–11.1	–	–	–	4238
156.3	ψKidston Gld Mn 20cts	125	+1.6	10.1	–	–	4829
–	ψMeekatharra 25c	86	–4.4	–	–	–	3330
–	ψMetals Ex 50c	58	–7.9	–	9'81	–	4853
23.1	ψMetana Minerals N.L.	63	–3.1	–	–	–	3359
1,889.1	ψMIM Hldgs 50c	102	......	4.5	24.10	Jun Dec	3246
1.12	ψMount Burgess 20c	4	–11.1	–	–	–	4854
–	ψNormandy Res NL	93	–7.9	–	–	–	4851
748.6	ψN Bkn Hill Pdts 50c	106	+3.9	4.8	24.4	June Nov	3524
147.7	ψPan Aust Mining 25c	187	–1.1	–	–	–	4849
154.5	ψPancont'l 25c	94	–2.1	1.2	–	–	3592
–	ψParadon Resources NL	6½	–7.1	–	–	–	4548
43.1	Paringa Min 5p	52	......	–	31.10	–	3597
727.2	ψPasminco	101	–1.9	–	–	–	3626
920.6	ψPlacer Pac 30cts	149	–1.3	–	–	–	4855
638.7	ψRenison 50c	413	–2.4	3.3	23.9	October	3809
87.5	ψSons Gwalia NL	288	+1.8	7.8	–	May Dec	4055
41.7	ψSouthern Pacific	15	+7.1	–	–	–	4061
–	ψSwan Res 20c	2½	+25.0	–	–	–	4148
1,986.0	Westn. Mining 50c	225	–2.2	4.6	26.3	Nov Apr	4479

Tins

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
3.20	ψAyer Hitam $M1	35	......	–	9.3	Apr Nov	1714
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MINES—Contd

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
1.34	Tanjong 15p	90	–	–	6'81	–	–

Miscellaneous

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
30.4	Anglesey Mining 5p ψ	143	......	–	–	–	5166
1.40	Do. Warrants ψ	70	–	–	–	–	5072
–	Anglo-Dominion	14½	+2.7	–	–	–	–
172.3	Bond Intl. Gold	517	–	–	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ψ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◊ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Not officially listed
- # Price at time of suspension
- ♣ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ★ Cover does not allow for shares which may also rank for dividend at a future date
- § No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.
Abbreviations: xd ex dividend, xc ex scrip issue, xr ex rights, xa ex all; xd ex capital distribution

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ψ	78		
Craig & Rose £1 ψ	810		
Finlay Pkg 5p ψ	56	–1.8	
Holt (Jos) 25p ψ	1310	–1.0	

IRISH

Cap 8½% Ln 1991	£97	...
9pc Cap Ln. 1996	£93¼	–0.3
Fin 13% 97/02	£110¼	–0.2
Arnotts	450	...
Carroll (P J) ψ	164	+2.5
Hall (R & H)	155xd	+10.7
Heiton Hldgs. ψ	77	–3.8
IRG	200	–7.0
United Drug	165	...

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	39
Amstrad	5½
Asdec (BSR)	5¼
BAT	83
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit Telecom	25
Cadburys	27
Charter Cons	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	16
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
Smkl Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	10
Ultramar	31

Mines

Lonrho	22
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

4pm prices April 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
27½	24⅝	AAR	.48	2.1	14	4508	24⅝	d22	23	-2½
9¾	8½	ACM n	1.01	12.		227	8⅝	8⅝	8¾	
11⅞	10⅝	ACMIn	1.26	12		567	10½	d10¼	10⅝	
9⅞	7¼	ACM M n	1.01	13		302	7¾	7⅝	7⅝	
12⅝	11⅝	ACMMM				205	11¾	11½	11½	-⅛
11½	9⅝	ACM Sc	1.28	12.		1488	10¼	10⅝	10¼	
9⅛	8⅝	ACMSp	1.01	12.		643	8⅝	8¼	8¼	-⅛
22⅝	13½	AL Lab	.18	.8	20	375	21¼	21	21	-¼
4½	3	AMCA	.12e	3.8	39	6	3⅛	3	3⅛	+⅛
6½	2½	AM Intl			6	384	2⅝	d2⅜	2½	
23¼	13⅝	AM In pf	2	15		100	13⅞	13⅜	13½	-⅜
107¼	52½	AMR			12	4434	64⅛	63⅛	63⅛	-¾
27	25	ANR pf	2.67	10.		4	25⅝	25⅝	25⅝	
24⅞	23	ANR pf	2.12	9.3		2	22⅞	d22⅞	22⅞	-⅛
5½	3⅛	ARX				78	3⅝	3⅜	3⅜	-⅛
72¼	39	ASA	3a	5.9		500	51⅝	50½	50¾	-1
70⅝	53⅞	AbtLab	1.68	2.5	17	3759	67⅞	66¾	67	-½
17¼	11¼	AbtMbl g	.50			56	13	12⅞	12⅞	-⅛
13	8⅞	AcmeC	.40	4.4	10	38	9⅛	9	9	-⅛
9⅜	7¼	AcmeE	.32	3.9	11	20	8¼	8¼	8¼	
38½	28⅝	Acuson			22	199	35⅝	34⅞	35⅛	+⅝
16½	13⅛	AdaEx	2.06e	13		93	15⅞	15¾	15⅞	
15⅞	7⅞	Adobe				229	12	11½	11½	-⅝
20¼	16⅞	Adob pf	1.84	9.7		145	19¼	19	19	-⅛
21⅝	19⅞	Adob pf	2.40	12.		38	20⅞	20⅝	20⅝	
10½	6⅞	AMD			19	2817	9¼	8½	8¾	+⅛
35	26¼	AMD pf	3	9.5		50	31½	31½	31½	
10⅛	4½	Advest	.16	3.6	8	219	4½	4⅜	4½	
62½	48¼	AetnLf	2.76	5.9	8	5008	48⅞	d46⅝	46⅞	-1½
14	9⅞	AfilPb	.24	2.3		1974	10½	10¼	10¼	-⅛
25	15½	Ahmans	.88	5.3	8	1829	17	16¾	16¾	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
60	40¾	Xerox	3	5.6		52366	54½	52¾	53½	- ½
49	44½	Xerox pf4.13		8.7		1	47½	47½	47½	
41⅞	21¾	XTRA	.72	3.1	25	69	23⅝	23	23¼	- ⅛
32⅝	19½	XTRA pf1.94		9.9		22	19¾	19¾	19¾	- ¼
4¼	2⅛	Zapata				206	2½	2⅜	2⅜	- ⅛
21⅞	7⅝	ZenithE				611	9⅞	9⅝	9⅝	
21½	14	ZenNtl	.84	5.6	6	107	15⅛	15	15⅛	+ ⅛
9⅝	5⅛	Zenix	.99	15.		180	6½	6⅜	6⅜	- ⅛
18½	12⅞	Zero s	.40	3.0	13	22	13⅜	13⅜	13⅜	
44¼	27⅝	Zurnin	.76	1.8	19	176	42¼	41¾	41¾	- ½
12⅝	10½	Zweig	1.21e	11.		645	11⅝	11½	11½	
10	8¼	ZweigTl	.96	10.		1520	10	9¾	9¾	

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices April 20

NASDAQ NATIONAL MARKET

4pm prices April 20

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
ZionUt	1.44	12	156	28	27¾	27½	- ⅛

The Business Column

Software moves to the fore

IN FUTURE, economic progress will not rely so heavily on tangible, quantative and material advances in productivity.

Competition is increasingly taking on a softer edge. Software is taking on a more significant role in giving companies and products a competitive edge.

Development in the hardware of products is still a vital component in commercial success, whether it be the introduction of a 64 megabyte *D-Ram semi-conductor*, high-thrust engines to power wider-bodied airliners or lean burn engines for cars.

Ironically technical advances in industry's hardware have made software more important. The most obvious case is the computer industry where the divide between software and hardware is most established.

Computer manufacturers used to make large, expensive, inflexible machines dedicated to a clear purpose. The software was designed to achieve the end.

Now customers can buy a vast array of relatively cheap computer systems and expect more from them. Software allows them to be more co-ordinated and flexible.

It is more difficult to draw these distinctions in industries such as cars, consumer electronics and telecommunications.

Intelligent cars

In the automotive industry, *however, car software is* gaining in importance. It is being used more as the amount of electronics in a car rises, making it all work together as metal and wiring are displaced.

On the horizon are much *more intelligent cars*, with computers making adjustments for the car's state and road conditions. The computer will control and link separate sub-*systems*. The industry is some way from that goal but computerised engine-control *systems* are already with us.

More generally the software of cars, their styling, accessories and services are becoming more important in differentiating competing products.

In consumer electronics, Sony's recent takeover of Columbia *pictures* is a striking example of how much is at stake in the software of the industry.

Developments in consumer electronics hardware, with high definition television and more sophisticated compact discs, often capture the imagination. But whoever controls the software which people will play – the music and films – will be able to exert a great deal of influence over which company's tapes, discs and machines are used.

Finally software is becoming increasingly important in the telecommunications industry.

Advances in the technical infrastructure of fibre optic cabling and satellites will the be the foundation of the next generation of *telecommunications* services.

Computer phone

Telecommunications networks are increasingly becoming "intelligent" through the use of software.

The traditional telephone switch has become a computer, with between a half and two-thirds of the cost accounted for by the software which switches, traces, redirects and forwards calls.

BT is introducing computerised management centres, which will control the flow of *traffic through the network*. The hardware to achieve that is readily available, the difficult task is writing the software to pull it all together.

Software is also gaining weight more generally in design and after sales service *where it can be used to add* value and differentiate between products.

Power is shifting away from the hardware manufacturers and towards the software authors who make machines run together.

That means that companies and manufacturers will have to acknowledge the importance of the soft component of their business and change the way they manage.

These advances may be much more difficult to evaluate than the tangible gains they make in raising measurable productivity or introducing new technology.

Yet it is clear that the soft intangible aspects of competition are as important as the hardware base.

Charles Leadbeater

MONDAY INTERVIEW

Car maker spreads its wings

Edzard Reuter, chairman of Daimler-Benz speaks to **David Marsh** in Bonn

Edzard Reuter is hurtling along on a global corporate adventure. Yet he manages to look like a man with time on his hands.

The chairman of West Germany's Daimler-Benz cars-to-aerospace conglomerate has moved his executive suite to the company's new DM500m administrative centre on the southerly outskirts of Stuttgart. *He gazes out at the unfin*ished complex, still dotted with construction machinery.

The headquarters, like Daimler, is obviously still growing – apparently in every direction at once.

Reuter, 62, who took over as head of the country's largest industrial concern 2½ years ago, is crafting a string of international alliances to keep Daimler's diversification strategy on track in a changing world.

Daimler became one of the world's largest defence contractors last autumn with the takeover of the aerospace group Messerschmitt-Bölkow-Blohm (MBB). But the breaching of the Berlin Wall last November and the momentum of German unification have placed questions over once-secure *future military orders*.

Reuter says the Bonn Government will have "responsibility" to help secure employment for MBB's military production workforce if Germany decides to cancel the building of the European Fighter Aircraft. *Meanwhile*, the breakdown of east European Communism has opened up substantial long-term growth opportunities.

The company's horizons, however, spread beyond Europe. In the last six weeks, Daimler has announced two land-breaking co-operation deals: with Mitsubishi of Japan and United Technologies (UTC) of the US.

The moves clearly underline Daimler-Benz's intention to step beyond its role as a mainly German-based maker of cars and trucks (still accounting for about 60 per cent of turnover) and becoming a genuine international force in aerospace and high technology.

Reuter maintains that the Mitsubishi and UTC accords are not connected to the threatened downturn in armaments markets. "I am still sure that the (diversification) strategy is the right one.

"We never said that the area of defence technology was likely to show a great deal of growth. We said it was, technologically speaking, a very important, irreplaceable part of the aerospace industry – but we are interested in growth in aerospace as a whole.

"In the last two years, we have made massive steps – things which we could not imagine would *succeed – to* give the company a new structure."

The stagnation in earnings over the past few years – which will probably persist this year and in 1991 – "should come to an end in 1992."

Reuter rams home his continued interest in European co-operation. He stresses the importance of the agreement before Easter with Aerospatiale, the *French* state-owned aerospace group, to pool activities in helicopters. But Reuter's fundamental message is uncompromising.

"We said very early on that we believed in the urgency of this transaction with MBB, and the restructuring of the German aerospace industry that went with it, because we wanted to be a partner with ability to make deals internationally . . . Perhaps some people did not believe us. Now we are putting this into effect."

Last month's announcement of a link between UTC's Pratt and Whitney division and Daimler's Motoren-und Turbinen-Union (MTU) subsidiary to develop aero-engines broke MTU's 25 year partnership with Pratt's rival General Electric (GE). At the beginning of April, this sparked a $1.15bn lawsuit from GE alleging fraud and misappropriation of trade secrets.

Daimler's Mitsubishi and UTC moves, says Reuter, "should be surprising for no-one, certainly not for people in the US. We have always said that we want, as European partners, to acquire a world dimension . . . We are not doing this against America – we simply want, in partnership with US companies, to be taken seriously."

One important reason for the aero-engine alliance with Pratt and Whitney, with which Daimler has been co-operating on individual projects since the 1970s, was because of GE's existing strategic ties with Snecma, the French aero-engine group, Reuter says.

"MTU, which has always been an important company in international co-operation, but always absolutely a junior partner, now suddenly can acquire the international status of an equal partner."

Reuter says he cannot "interfere" in the GE lawsuit. But he adds: "I know my friend Jack Welch (the GE chairman) very well, and he knows me very well. The impulsiveness of his reaction did not very much surprise me . . . I am convinced that the lawsuit is without foundation."

The timetable for agreeing the size of the planned cross-shareholdings between Daimler's Deutsche Aerospace subsidiary (Dasa) and UTC will depend on the lawsuit, which should be settled within 12 months, Reuter says.

"The shareholding of Dasa or MTU in Pratt will be arithmetically somewhat smaller than the other way around. Pratt may take slightly more than 5 per cent of Dasa . . . It will be around this order of magnitude. The important thing is that, in practical terms, we start work straight away (on aero-engines) in the committee for our joint activities."

With Mitsubishi, Reuter says possible co-operation runs from vehicles to space rockets. It will apply to civilian areas only.

"We *will see the* first concrete projects next year. We will certainly co-operate with Mitsubishi in new vehicle manufacturing projects – automated engineering, and so on." This would include Daimler's planned new plant at Rastatt in south-west Germany and also projects abroad – "for instance in the Soviet Union."

The two companies could work on a future joint cross-country car, where Daimler will eventually be seeking a successor model. "This could be a joint project – where some components come from Mitsubishi, the others from us. In commercial vehicles, there are also regional co-operation possibilities, in the Far East, and one day in North America and South America – or in the eastern part of Europe."

There will be a role too for Daimler's electrical subsidiary AEG. "We have established that in the area of product electronics – automobile electronics, for instance, as well as household appliances – we could work together."

The same applies to activities in railway technology and electronic control systems.

"In aerospace, talks between Dasa and Mitsubishi Heavy Industries are concentrated on space – co-operation in satellites and possibly in rocket technology."

Dasa is discussing a possible 70 to 75 seater regional transport aircraft for China, which could be developed in partnership with Mitsubishi. An engine for this aircraft "could be developed by MTU, Mitsubishi and perhaps Pratt and Whitney."

Reuter says that Daimler is also exploring "close co-operation" with Mitsubishi's trading, construction and finance activities. Reuter says he is pursuing possible collaboration with British Aerospace and Fokker on regional transport aircraft. He is "still talking" to BAE about the question of cross-shareholdings.

"But we have to know first – as in other cases – whether the areas of work fit together, before we decide on a large cross-participation."

With France, Reuter – who visited President François Mitterrand for talks in mid-March – admits that relations have become "more delicate" as the result of German reunification.

But he adds, "My impression from many talks in Paris is that, with the decision to press ahead with European monetary union, these irritations are now part of the past."

Then he adds a warning. "We can only conceive of a really broad co-operation (in aerospace) if the role of the French state is clearly reduced." In the perennial debate over restructuring the Airbus Industrie consortium, in which MBB is the German partner, Reuter takes the French somewhat to task.

"My scepticism remains very large. The question for Airbus is not the future of Airbus on the market, but the question of whether Airbus has a chance of becoming an economic success. I am firmly convinced that this is possible, on the condition that the Airbus structure is placed on a private sector, market-orientated basis.

"There are now three partners – the Spanish, the British and the Germans – who firmly believe that a market-orientated structure is necessary, and Mr Martre (the Aerospatiale chairman) and the management of Aerospatiale are also moving in this direction."

Reuter says that, "in the appropriate spirit of friendliness," Daimler will be pushing the French to move further.

Reuter believes that the strategic importance of Deutsche Bank's 28 per cent stake in his company is sometimes exaggerated.

But Daimler lost its most powerful champion – and Reuter a close personal ally – with the murder in November of Alfred Herrhausen, Deutsche's chairman and Daimler's supervisory board chairman.

While denying the bank "interferes in the strategy of Daimler," Reuter says that the relationship "gives Daimler-Benz the assurance that there will be no quick changes in the shareholding structure.

"We have the room to think really strategically, long-term."

Born in Berlin, and with a father who was the mayor of West Berlin during the post-war airlift, Reuter understands the emotions behind the move to German unity – and is even a little wary of them.

Daimler will be collaborating in trucks with the East German IFA vehicles Kombinat, while AEG will play an important role in East Germany (DDR) in areas like switches, cables and railway technology.

But he says that, even in the longer term, East Germany is unlikely to account for more than 5 per cent of Daimler's sales.

Daimler's ambitions may be worldwide but "Europe is our future home market."

PERSONAL FILE

1928 Born Berlin, February 16
1933 Moved with family to Turkey after his prominent Social Democratic (SPD) father Ernst Reuter was persecuted by Nazis
1946 Returned to Berlin, joined SPD (is still a member)
1957 Joined Ufa film company
1962 Joined Bertelsmann
1964 Joined Daimler-Benz
1976 Daimler board member
1987 Daimler-Benz chairman

'We have made massive steps to give the company a new structure'

Self-regulation under threat

JUSTINIAN

When the Court of Appeal decided three years ago that the Panel on Takeovers and Mergers should come under judicial review, it gave tacit approval to a system designed by the City to protect investors and shareholders in companies which are subject to offers of takeover. Yet this impressive system of self-regulation is coming under threat from a draft European Community Directive.

A proposal last December for a 13th Council Directive on company law concerning takeovers and other general bids has recently been re-drafted in the light of strenuous representations from UK interests.

This latest version is *thought to retain the objection*able features of the earlier drafts. In particular, each member state would be required to designate a supervisory authority to ensure that parties to a takeover fulfil their obligations under detailed, legally-binding rules.

The first attempt at self-regulation during the takeover boom of the 1960s and the period of ensuing abuses was unpromising. The voluntary Panel set up in April 1968 to administer a City code on takeovers and mergers seemed powerless to act when the rules were broken. Faced with adverse comment in the press arising out of a number of cases of impropriety, the City established a greatly strengthened panel with a permanent secretariat and full powers to discipline offending parties through the discretionary powers of the Stock Exchange and other City institutions.

There is in place today an effective system of self-regulation. The Master of the Rolls has described the Panel as "a truly remarkable body . . . . it oversees and regulates a very important part of the UK financial market. Yet it performs the function without visible means of legal support."

The Panel is a self-regulating, unincorporated association with no direct statutory, prerogative or common law power. If, however, the Panel determines that there has been a breach of the Code, it may refer the matter to the Department of Trade and Industry or the Stock Exchange, which may impose statutory or contractual penalties.

Since the Financial Services Act 1986 came into force the Panel has had even greater power. Self-regulatory organisations established under the Act require their members to co-operate generally with the Panel and to refuse to act for clients who will not accept the City Code. Lord Justice Lloyd observed that "the Panel wields enormous power. It has a giant's strength." Why disturb a system of self-regulation that works well in the interests of shareholders?

The Code's strength is in separating principles from formal rules while insisting on the spirit and letter of both

The advantage of a system of self-regulation is reflected in the Code's approach. It separates general principles, which provide broadly for full disclosure and equity between one shareholder and another, from formal rules on procedure. It declares that the spirit as well as the letter of the general principles and the rules must be observed. This is achieved in practice by the scrutiny of all relevant documents by the Panel's secretariat and by the stipulation that the Panel shall be consulted in advance in any case of doubt.

Where necessary the Panel can be asked for a ruling. The Panel may intervene wherever it appears that the parties in a takeover have not been acting in accord with the spirit or letter of the Code.

The Panel's experience over two decades has been that takeovers need to be conducted within a restricted timetable if they are not to interfere with commercial activity or lead to protracted uncertainty. Thus the supervising body correspondingly must react with alacrity and flexibility to fast-moving situations and must work with, and rely on, practitioners to help police the Code. *At all costs the Panel* must be able to give conclusive rulings and directives which cannot be challenged in the courts. This valuable system could not be preserved were the Panel's rules to require the binding force of law.

While the Panel supports the commendable objectives of the directive, it is worried that what will be lost are the prime virtues of self-regulation – speedy adjudications in contested takeover issues, flexibility in policing the Takeover Code and certainty in swift resolution of problems in a takeover, without the parties resorting to costly and delaying litigation.

The Panel is making a strong plea that if the directive is promulgated, member States should be free to implement its provisions by extra-legal means. It wants the directive to contain provisions designed to prevent tactical challenges in the courts to the decisions of supervisory authorities. It also believes there should be a general power in the supervisory authorities to waive any rule in the directive, and that member states should be free to add to the safeguards imposed by the directive. The Panel may yet reach its goal to keep self-regulation in a country where, by contrast with its European partners, the takeover scene is much more active.